AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES

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AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

TUESDAY, APRIL 8, 1986.

FOOD AND DRUG ADMINISTRATION

WITNESSES

FRANK E. YOUNG, M.D., Ph.D., COMMISSIONER OF FOOD AND DRUGS
JOHN A. NORRIS, DEPUTY COMMISSIONER OF FOOD AND DRUGS
THOMAS SCARLETT, CHIEF COUNSEL
GERALD F. MEYER, ASSOCIATE COMMISSIONER FOR MANAGEMENT AND OPERATIONS
FRANK P. CLAUNTS, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY FOR HEALTH OPERATIONS
SANFORD A. MILLER, Ph.D., DIRECTOR, CENTER FOR FOOD SAFETY AND APPLIED NUTRITION

Mr. WHITTEN. The Committee will come to order, as some of our witnesses have to leave early.

We have here today the Food and Drug Administration. We have Dr. Frank Young, Commissioner of Food and Drugs; Mr. Wilford J. Forbush, Deputy Assistant Secretary for Health Operations, and their associates.

For anyone new to the Committee, we would be glad to have a biographical sketch included in the record. We will be glad to have you proceed as you like.

Dr. YOUNG. Thank you very much, Mr. Chairman.

Mr. WHITTEN. Dr. Young, if you want somebody else to tell how good you are, you could turn to Mr. Forbush.

Dr. YOUNG. I would be happy to turn it over to Mr. Forbush.

Mr. FORBUSH. Mr. Chairman, thank you.

I would like to make just a couple of remarks. In the PHS' overall public health efforts, FDA plays a very critical role. For example, the agency helps assure a safe and nutritious food supply, assures that vaccines and other drugs used in disease prevention are safe, effective, and properly labeled, approves animal drugs and feeds, and approves medical devices which are used for diagnosing and treating disease.

This past year, FDA has made some very significant accomplishments in health promotion and disease prevention. In the Orphan Products area, for example, FDA approved a human growth hormone developed from recombinant DNA technology. The agency also approved the first ever test kit to diagnose the presence of antibodies to the AIDS virus in the blood supply. And this has permitted us to really protect the Nation's blood supply against this danger.

Because of critical developments in combatting this disease, the Agency will increasingly be called upon to review rapidly other products being developed to halt the spread of AIDS.

At this point, Mr. Chairman, I would pass the baton to Dr. Young to give you a more complete description.

Mr. WHITTEN. The Committee here is proud of the job that the Food and Drug Administration does. By the same token, we have second-guessed some of the things that have happened in the past, and have continued to be closely interested.

One of them is that we have the "orphan drug" situation where we have a system which seems to work well. However, the private companies—unless they see how they can make some money out of it—often they do not seem to care how many people die, of course, I do not mean that literally. But they do not put their money into anything that they cannot make money out of, unless they are nudged a little bit by you or by this Committee.

In addition to that, as we have pointed out in times past, we have operated under a provision of law that says additives must have zero tolerance. At times, we have tried to get some help in trying to make that approach more practical. For I think zero tolerance has reached the point where there is hardly any such thing as zero.

You remember Mr. Gardner, I am sure, who has been on the record quite a number of times, explaining to us how they changed the definition of zero. Because we let him proceed, he explained it in detail, and then he looked up and realized we were pulling his leg. He carried the nickname "Zero Gardner" for many years.

But it does mean that, as long as you have a law and a rule like that, any time you let somebody go ahead, they are operating by sufferance. I am told that, in my State some years ago, there was a river town where, during prohibition, they had whiskey. After prohibition was repealed nationally, the States of Mississippi and Oklahoma kept it for some years later. This town operated under the law of Arkansas—they had adopted as city ordinances the law of Arkansas. If you did not follow the ordinances of Arkansas, they threw the book at you.

So, anybody now in the business of additives, as long as you let them operate by sufferance, knowing it cannot be zero, they are subject to your whim. And I do not know of any place where you have misused the authority, but it does make for a bad situation.

This Committee has tried for several years to get a new study made of the Delaney Clause. We need to make it more practical, because we know you can identify parts per trillion.

There are other things we find over and over. This year, at the insistance of the Office of Budget and Management, another user fee proposal is offered. I do not know that you should bill a company for the cost after the fact, when there is a matter of safety involved. There is a feeling in the Congress that user fees will not work. Yet most of the time when we ask questions, we find that the Administration has been unable to get anybody to introduce a bill for such user fees.

But it does complicate the Committee's work in trying to stay within the budget ceiling, when the budget before us depends on the passage of laws which have never been adopted by Congress in the past. Usually they cannot get anybody to even introduce them.

We all are citizens and consumers, and we follow what has been happening in the press. And I presume you still keep the Committee staff advised of actions that you are going to take.

So it is a pleasure to have you here, and I appreciate the discussion which we will have with regard to the budget, as requested. As to the overall situation with your programs, how do you see it? What are the new developments? What progress are you making in trying to keep people from tampering with drugs? You might just tell us in your own words what the score is as of today.

Dr. YOUNG. Well, thank you very much, Mr. Chairman.

First of all, I would like to thank you for the opportunity of appearing here, and I know you scheduled this meeting earlier than you usually would, and were very sensitive to a concern that I had after my mother passed away. I know this is a departure to have this when you first come back like this. I really appreciate your making this opportunity available.

I would like to answer each of the points that you raised in your opening, if I could.

Mr. WHITTEN. Feel free to add to or in any way make your oral testimony.

Dr. YOUNG. Very good.

ORPHAN PRODUCTS

You pointed out, and rightfully so, that this Committee has had a long-term interest in Orphan Drugs. It is a very important interest and a well-placed interest.

This year we made some substantial progress. Dr. Fredd, who is with me, has had the responsibility for this, and we approved 10 new drug applications in orphan products, and of those 10, seven were new chemical entities. The most significant was already mentioned by Mr. Forbush--the human growth hormone which will make a spectacular difference as pituitary glands that we used before for growth hormone did have viruses contaminating them and in some instances led to a debilitating neurological disease. This type of orphan product, a small product but a very important one for a number of dwarfed children, and critically important for wound healing, is now available through this program.

We have had a record number of applications for orphan status. We also have $2.8 million which we will use to award grants this year. And it is important to point out that these types of grants are different than any of the others in the Public Health Service in that in excess of 50 percent of them are translated into products that do come on the market. So the grant program for us, we look at as one rate-limiting step for getting new orphan products into the market.

By having the patent term restoration, and by having the tax break, we think that we are getting the attention on orphan products we would like to see. And I do congratulate you for having the foresight to look at this.

NEW DRUG APPROVAL

We also are focusing on product approval in general. And I am pleased to inform you that in new drug approval, we had a record this last year of 30 new chemical entities approved, and we have, through our action plan, placed new drug approval, including the orphan products, as our highest priority. We feel that the average time of 25 months for approval of new drugs is too long, and we would like to see, through the resources that are proposed in the budget, this dropped to about 18 months. And we do feel that if we have those resources available, as indicated there, and I will come to the user fee issue in a few moments, that we would be able to make a spectacular difference in the time of approval. This would be very important for the new drugs that are pending in the pipeline. There are a number of interesting new drugs resulting from the new revolution in biotechnology, a field that I was privileged to be involved in throughout my academic career. I can tell you that there are a number of immune substances and new drugs that are coming. And we feel that we need to enhance the approval process but not reduce the quality.

DELANEY CLAUSE

The second issue that you focused on is a correct issue, that of forever chasing the point of zero. In fact, I was thinking, as you were talking, the level that we can assay now would be equivalent to putting a bottle of vermouth in the Mississippi River at its headwaters, and when it got down to the end, being able to detect about what we can today, one part in a million trillions, or a million away from the gram molecular weight. We have come up with what we think is a rational approach for solving the problem this year.

We have tried to develop a policy, building on what had been done in the past in the Center for Food Safety and Applied Nutrition, where we first looked at constituents that did not result in a full compound producing cancer, and where the constituent did, we tried to define a level there that would be safe.

And then in animal drugs, we examined the same level of safety, and now we have brought forth a policy which directly focuses on what you said: defining the Delaney Clause. It is important where we can establish that something produces cancer, we will certainly deal with that directly. But if the level is so low that it is extraordinarily close to zero, or insignificant, we have brought forth a policy based on de minimis, the legal concept that the law does not deal with trifles. And we have proposed a regulation this year in which we recommended that methylene chloride be taken out of hair sprays where the level was very high, and would produce an upper bound risk in any individual's life of an additional cancer of one in a hundred to one in a thousand.

But, where the risk is very low in decaffeination of coffee, where the upper bound risk is about one in a million in a lifetime of an additional cancer, we felt that was de minimis.

So it is, sir, an approach to solving the problem that you raised. And I think you are right, that this is long overdue.

Mr. WHITTEN. This is digressing for a moment.

The former Commandant of the Marine Corps was watching a football game where these fellows, about six feet, eight in height and 250 and 260 in weight, were trying to run a hundred yards in 9.4 or 9.5 seconds. He asked me what it was that gave them the extra energy. I said I do not know unless it is the chemical residues that they have been exposed to through the years.

We realize that it is a small amount that you can identify, but it is the effect that counts.

Dr. YOUNG. That is correct.

Mr. WHITTEN. And where the law is as tight as it is now, you have to use common sense. But I trust that you have rules that, by and large, are fair and that you still keep in mind what the effects might be.

CLERK'S NOTE.—The biographies of the witnesses and the full text of Dr. Young's prepared statement appear on pages 163 through 193. The explanatory notes appear on pages 194 through 384.

USER CHARGES

In both fiscal years 1985 and 1986 Appropriations Bills and reports the Committee has been strong in its position against charging user fees for new drug applications. Let me quote the fiscal year 1985 report. "The Committee is opposed to financing this activity through user fees. This opposition is based on clear public benefit of FDA's regulation of new drug approvals. Therefore, no resources are included in this bill for further consideration or development of a user fee proposal . . . " In the fiscal year 1986 Appropriations the Committee again expressed its intent by providing bill language that was accepted by the Senate that prohibited the "development, establishment, or operation of any program of user fees not specifically authorized by law." This year you have a budget request of $423,600,000 but an operating level based on $449,400,000, with a difference based on user fee collections. Where is this legislation? Who will introduce it? Don't you think you are premature in asking us to approve language for you that would allow FDA to credit user fees to appropriations before having the authorizing committees take up your legislation?

Dr. YOUNG. As the Committee directed, we are not pursuing a user fee proposal based on existing legislation. Rather, to provide for full consideration of the Congress of the specific issue of user charges for new drug review, we are preparing a separate legislative proposal to provide such authority. We expect that this proposal will be submitted to the Congress in the very near future. I cannot tell you at this time who will introduce it, but we are confident that as an Administration proposal with significant benefits for consumers, government, and industry it will have several sponsors in both houses of Congress. Hearings on this issue are tentatively scheduled for early June in the Senate.

The Administration does not believe it is premature to propose the use of the funds before the authorizing committees have taken up the proposed legislation. In fact, it is essential that the collection of the charges and the potential uses of the funds be considered as a combined proposal. The purpose of the charges is not just to collect money from industry for the services we provide; the first

$11.4 million collected will be used to maintain our current level of operations. Those funds collected after the first $11.4 million will be used to improve those drug evaluation and review services for the benefit of the public and industry. As shown in our budget justification to the Committee, we would use a portion of these funds to provide needed improvements in our drug review process, which will result in faster availability of new drug products. While industry will clearly benefit from being able to market its products sooner, the critical point is that this improvement for FDA will greatly enhance our ability to promote the public health by encouraging innovation and making available new treatments faster. For these reasons, we believe it is important for us to explain our proposed use of the funds in our budget request to the Appropriations Committee, while we are also submitting the needed legislation for review by the authorizing Committees, so that there can be full Congressional review of both the funding and other issues involved.

Mr. WHITTEN. In your opening statement you say, "Our citizens have a right to expect that these products are safe. . . . " We believe so, too. So if we agree on that point, why do you believe it should be subject to user fees?

Dr. YOUNG. I don't believe anyone would question the idea that FDA's primary function in this area is to assure the safety and efficacy of drugs, and I believe the FDA has traditionally done a superior job of meeting the public's expectation. I do not believe there is necessarily any contradiction in also saying that the industry should contribute part of the cost of providing that public protection and improving the approval process, since the drug firms benefit directly from that assurance of safety when they market their products.

The charging of fees for new drug review will not change the way in which we look at drug safety and efficacy, or modify our high standards for new products. Rather, if we are allowed to use the fees to improve the process for which the fees are paid, both industry and consumers will benefit. Without changing our safety standards, we will be able to process applications more rapidly, thereby providing faster availability of new drug products—which benefits consumers when their physicians have new or improved drugs they can utilize, and which benefits the industry in getting a faster return on its investment. Moreover, this incentive to the industry will provide a further stimulus to drug innovation, which benefits the public as well.

Mr. WHITTEN. What information do you have that leads you to believe that Congress will approve such a proposal this year?

Dr. YOUNG. We do not know if Congress will approve our proposal, but we believe it is essential for us to submit the issue formally for Congressional consideration. As Commissioner of FDA, I am putting forward what I believe are the resources necessary for us to do our job properly in the area of reviewing new drugs. At the same time, we are proposing that the industry pay a fair share of the cost of this activity. Taken together, I am hopeful that Congress will consider these proposals favorably, if we can use this opportunity to discuss with all of the relevant Committees of Congress the very substantial public health, as well as economic, benefits this proposed strengthening of FDA can have.

Mr. **Whitten**. In your budget justification notes you state that industry clearly benefits from FDA approval of new drugs, and that is why there should be user fees. The Committee realizes that manufacturers expect to make a profit from new drugs. We don't believe, however, that FDA approves drug applications for industry to make a profit, but does so for the consumer's safety. Has FDA's role as a consumer protection agency changed?

Dr. **Young**. Absolutely not. Our primary role, as we carry out the law, is to assure the safety of the drugs on the market. At the same time, however, we promote the public health not only by assuring that drugs are safe, but by approving drugs that are effective—that is, it is incumbent on us to expedite approval of drugs that offer promise in treating or preventing disease, and I would also note that new drugs often offer substantial savings in health care costs compared to previous forms of therapy.

The President's FY87 request will enable FDA to continue to assure the safety and efficacy of marketed drugs. The user fee legislation would give FDA the resources to process applications more quickly, whether we eventually approve the drug or must keep it off the market. In these times of national concern about the size of the federal deficit our proposed legislation provides a means to fund these resources without adding to the deficit.

In response to your question of how industry benefits from FDA review and approval of new drug applications, several courts have held that a user fee is appropriate when a federal agency reviews an application that, if approved, will allow the applicant to comply with federal law. Most importantly, however, applicants will benefit from faster drug reviews. Also, FDA's review benefits applicants by assuring that they market only safe and effective drugs, which in turn enhances the public's confidence in applicants' drug products. If this proposal improves the timeliness of our reviews, the public and industry will both benefit. Finally, the bill to be proposed by the Administration will be indpendent of the government's authority to charge user fees under the User Charge Act, and thus will not require a finding of private benefit as a perequisite to charging a user fee.

Mr. **Whitten**. What are the specifics of your user fee proposal in terms of charges, billing, accounting, etc.?

Dr. **Young**. No specific fees have been set, since we are proposing legislation that would provide a general authority to establish such fees for new drug applications, with some allowance for possible waivers or exemptions as I have mentioned already. Following passage of this legislation, we would expect to publish implementing regulations to set the precise fees, and then consider comments before making the charges final. However, I would expect at this time that we would propose, as we did in our proposed rule published in August of 1985, that the fee must be submitted when the application is submitted, as a condition of filing the application. This approach would not create billing problems, would require very little paperwork on our part, and the review of the application would proceed just as it does now.

I would also note that in our proposed rule of last August, we proposed $126,000 for full NDAs and $9,900 for Abbreviated NDAs. However, we suggested several alternatives as to how fees might be applied to the different types of new drug applications we receive. We will also have to see whether Congress modifies our proposal before we develop any implementing regulations, so it would be premature for me to speculate on what the charges might be for any particular type of application at this time.

Mr. WHITTEN. The budget request included $25.8 million derived through user fees for drug aproval activities and stated that these collections would be used to improve the agency's new product review process. Yet, only $14 million is requested as a funding increase for new drug evaluations. What will the other $11.8 million be used for? Wouldn't it be more consistent with your rationale for requesting user fees to use all the money for new drug evaluations?

Dr. YOUNG. All of the money will be used for the new drug evaluation program. As you note correctly, Mr. Chairman, $14.4 million will be used for an increase in this program, but the first $11.4 collected will be credited toward sustaining the current level of operations in this program. As we have said, we believe it is quite reasonable for industry to pay for the cost of a service which benefits them so directly. Therefore, the Administration believes it is reasonable for the revenue collected to go partly for the current cost of that operation. The majority of the revenue, the $14.4 million, will provide for improvement of these activities which will benefit both the firms and the public.

One of the basic principles of our legislative proposal will be that the funds collected go toward the activity for which the fees are paid, namely the review of new drug products. Our budget request is based on a total level of spending including the projected user charges, including much-needed improvements to our drug review program. If we cannot collect the fees, and depending on our final 1987 appropriations, we will have to scale down or eliminate these efforts. As we show in our budget justification, we have proposed to reprogram resources into the new drug evaluation project.

Mr. WHITTEN. What is the total amount you expect to collect?

Dr. YOUNG. The total projected in our budget justification is $25.8 million. I would note that this estimate is based on our proposed rule published in August 1985, which was based on our projected costs and application workload at that time. While we will have to await congressional action on our legislative proposal, we will also have to take into acount inflation and other changes in our costs since that time. We believe this amount is still a reasonable projection of the amount that can be collected.

If we are able to establish these charges and the amount collected should vary from this amount, it will affect the rate at which we are able to improve the review process. The critical point to me at this time is that we need to obtain this authority, based on the principle that the industry should pay for the benefit they receive, so that we can sustain our current level of operations and begin to implement those improvements to the drug review process that are resource-dependent.

REDUCTION OF $2 MILLION

Mr. WHITTEN. Please explain the across-the-board reduction in FDA activities of $2 million. What are the impacts?

Dr. **Young.** This reduction of $2.5 million, which was based on a general 6/10 of 1% reduction to most of the accounts in this year's Agricultural Appropriations Bill, has been taken across-the-board throughout FDA in terms of reducing support for our employees. That is, we have made general reductions in all components of FDA in costs such as travel, supplies, equipment, and support contracts.

1987 BUDGET REQUESTS

Mr. **Whitten.** What was FDA's budget request to the Department? What was the Department's request to OMB?

Dr. **Young.** I will be pleased to furnish that information for the record.

[The information follows:]

HISTORY OF FY87 REQUEST

[In millions of dollars]

	Salaries and expenses	Buildings and facilities	Total
Request to DHHS	473.7	[1] 29.3	503.0
Request to OMB	472.9	[1] 31.3	504.2
Request to Congress	[2] 422.1	1.5	[2] 423.6

[1] Included $24.4 million for Module #2 of FDA Laboratory Construction at Beltsville, Maryland, to accommodate the Agency's Veterinary Medicine research program.

[2] Plus $25.8 million from user charges.

ACTION PLAN

Mr. **Whitten.** Please prepare for the record a listing of all the recommendations in FDA's Action Plan and the current status of each item.

Dr. **Young.** The ten-point Action Plan designates the Agency's highest priorities and charts a broad course of action to prepare the Agency to meet the challenges of the twenty-first century. The Plan's ten goals subsequently yielded 256 specific milestones. I would be happy to provide for the record a chart showing each goal, the number of milestones associated with each, and the status of each goal.

[The information follows:]

ACTION PLAN

This Action Plan is designed to fulfill the Secretary's charge of preparing FDA for the challenges of today and of the 21st century. The plan designates FDA's highest priorities and charts a broad course for the Agency's policy and management directions in the years ahead. The plan was based on extensive meetings that the Commissioner held with persons from both inside and outside the Agency. The Action Plan may be summarized as follows:

1. **NEW DRUG REVIEW PROCESS.** FDA will make significant improvements in its new drug review process for human drugs, with the aim of further accelerating the review process while improving quality. FDA will begin by efficiently, effectively, and sensitively taking the following actions: implementing the new IND/NDA regulations; developing new models for conducting NDA reviews; reducing the backlog of supplemental NDAs; enhancing the use of automated data systems; and fully implementing the new program for post-1962 ANDAs. 31 milestones; 23--or 74%--completed

2. **MEDICAL DEVICE PROGRAM.** FDA will prepare specific recommendations to respond efficiently, effectively, and sensitively to the legitimate criticisms that have been made about the Agency's implementation of the Medical Device Amendments of 1976. Special attention will be directed to those issues relating to bringing new products to market: premarket notifications [510(k)s]; premarket approval (PMA) applications; preamendments PMAs; and investigational device exemptions (IDEs). 15 milestones; 9--or 60%--completed

3. **POSTMARKETING SURVEILLANCE.** FDA will strengthen significantly its postmarketing surveillance activities to enhance consumer protection against new and unforeseen risks with marketed products. Actions will include: working with health professionals to promote prompt, more complete reporting of adverse drug reactions; successfully implementing the new drug and device regulations; and upgrading current programs, where necessary, to ensure adequate surveillance of all human drugs, biologics, new animal drugs, and food products. 45 milestones; 21--or 47%--completed

4. **RISK ASSESSMENT.** FDA will develop a comprehensive program to evaluate and test, where practicable, the assumptions used in risk assessment. The Agency will focus primarily on assessing the risk to humans of compounds contained in the food supply that have been found to cause cancer in laboratory animals. This program will be coordinated with other Federal agencies having an interest in risk assessment. 10 milestones; 5--or 50%--completed

5. **RISK MANAGEMENT.** FDA will make significant improvements in its risk management processes, with particular emphasis on early analysis of options, optimal utilization of FDA's full range of regulatory tools (i.e., education, enforcement, regulation, and voluntary compliance), organization of FDA's field operations, and coordination with other Federal, state and local agencies. 12 milestones; 5--or 42%--completed

6. **FOOD SAFETY.** FDA will continue to work toward the resolution of food safety issues by administrative or legislative means, as appropriate.
6 milestones; 6--or 100%--completed
7. **NUTRITION.** FDA will significantly broaden its nutrition program to advance the science of nutrition, increase consumer awareness about nutrition, and provide continued assurance of the nutritional quality of the Nation's food supply. FDA will coordinate these activities with the United States Department of Agriculture (USDA) and the National Institutes of Health (NIH).
32 milestones; 7--or 22%--completed
8. **NEW TECHNOLOGIES.** FDA will undertake to develop specialized internal capabilities in those new technologies most likely to dominate new medical developments and changes in the food supply, with particular emphasis on biotechnology and microelectronics. 32 milestones; 11--or 34%--completed
9. **HEALTH FRAUD.** FDA will implement a significantly broadened initiative aimed at reducing health fraud, including both increased emphasis on enforcement activities and increased efforts at achieving consumer and health professional awareness. Particular attention will be given to focused efforts on health fraud creating health hazards and life threatening dangers.
28 milestones; 12--or 43%--completed
10. **INTERNAL MANAGEMENT.** FDA will make significant improvements in its own internal management, particularly in the areas of career advancement, information systems, laboratory research programs, resource allocation and science base. Particular attention will be given to the Commissioner's Advancement Program designed to meet the personnel needs of the FDA.
45 milestones; 27--or 51%--completed

The Agency has profited from the analysis that has led to the development of this Action Plan and looks forward to implementing these programs under its Implementation Plan. FDA is confident that these steps will not only prepare the Agency for the 21st century, but will also strengthen the Agency's current programs. The Action Plan is described in greater detail in the body of this report.

APPROPRIATION LANGUAGE

Mr. **Whitten**. The FDA's proposed appropriation language contains the following: "That such amounts as the Secretary deems necessary may be transferred to 'priority disease control and research projects'." Please explain the intent of this language and the rationale behind it. Wouldn't this be subjecting congressionally directed funds to the discretion of the Secretary, and possibly bypassing Congress' intent?

Dr. **Young**. It is not our intention to bypass the intent of Congress, but to create a better mechanism for coordinating funds available to the various agencies in the Public Health Service for dealing with the disease AIDS. You are correct, the appropriations language would enable FDA to be included in the consolidated PHS AIDS plan. Considering the rapid changes in knowledge about AIDS and opportunities to stop the spread of AIDS, the Administration recommends that all PHS agencies involved in the AIDS effort participate in a comprehensive AIDS plan and HHS be provided maximum flexibility in the allocation of funds among PHS agencies. A comprehensive AIDS plan will improve research flexibility and coordination of the multifaceted AIDS program. Flexibility in allocating funds would enable HHS to direct resources quickly and responsibly to emerging opportunities for research and control of AIDS.

HHS has already established an AIDS coordinator to lead the development of a comprehensive AIDS plan. Since FDA is an important part of the Department's AIDS initiative, FDA should be included in the comprehensive AIDS plan.

CONTRACTING OUT AT NCTR

Mr. **Whitten**. Last year you projected an overall savings of 56 staffyears as a result of contracting under OMB Circular A-76. Did these savings materialize as projected?

Dr. **Young**. The savings have not yet materialized. This is because, while we have chosen the contractor, we have not been able to let the contract for the maintenance functions currently being performed by FDA employees. The process is being delayed by an appeal on behalf of the affected employees which is pending in the Public Health Service. If the appeal is denied, the contract process will proceed normally. If the appeal is successful, the entire process must begin again with new cost-effectiveness studies. We still estimate that contracting out these functions will save 56 staffyears, which were forfeited in our 1986 budget. In any case, no savings will be realized in FY 1986.

DRUG APPROVAL PROCESS

Mr. **Whitten**. In last year's testimony before this Committee you said that the drug approval process "is onerous, slow, and has denied the American people some drugs. . . ." What steps have you taken since last year to remedy this problem?

Dr. **Young**. Under the FDA Action Plan, we have increased the staff reviewing new drugs by reprogramming resources. In addition, we are developing plans to increase our use of outside experts in the review process, we have discussed possible involvement with the Institute of Medicine, and one contract with the Institute is underway. We have initiated several experimental programs including increased delegations of authority, elimination of review redundancies, the use of review assistants, and reviews of applications in innovative formats. We have implemented the changes in the revised new drug regulations, including changes in our information systems. Draft guidelines for industry's use have already been issued. When the revised investigational new drug regulations are published in final form, implementation of them will begin. We have developed and established systems for identifying, classifying, and assigning priorities for the review of a special class of supplements. A tracking system to monitor the reviews is in place and evaluation of our progress in dealing with these submissions has begun. Finally, the Agency is implementing the Drug Price Competition and Patent Term Restoration Act and is reviewing ANDAs in a timely manner.

BUILT-IN CHANGES

Mr. **Whitten**. Please provide for the record a table which will show the detailed components of the increase you are requesting of $13,253,000 for "Built-in Changes", together with the amount that was expended for these various components in 1985 and your planned amount for 1986 and 1987.

[The information follows:]

SUMMARY OF "BUILT-IN COST INCREASE"

[In thousands of dollars]

	1985	Planned 1986	Increase 1987
Total personnel compensation	237,934	230,419	2,376
Personnel benefits: Civilian	31,394	30,733	711
Travel and transportation of persons	9,065	8,640	397
Transportation of things	1,236	1,691	78
SLUC	26,072	24,627	2,639
Rental payments to others	578	980	1,045
Rent, communications, utilities	13,082	13,327	1,460
Printing and reproduction	2,810	2,438	128
Contracts and other services	58,031	59,328	2,723
Supplies and materials	11,931	11,805	524
Equipment	15,866	12,950	529
Grants, subsidies, and contributions	4,197	5,654	240
Insurance claims and indemnities	698	822	403
Total	412,894	403,414	13,253

GENERAL PROVISIONS ON CONTRACTS

Mr. **Whitten**. Please explain how FDA has used the General Provisions section 627 of H.R. 3037 as contained in P.L. 99-190.

Dr. **Young**. Since this provision is included for the first time in the current appropriation, we have not as yet applied it. This provisions will allow for contracts to be written for one-year periods extending into next fiscal year under certain circumstances. Application would be mainly for regularly recurring maintenance and support service contracts, the majority of which come up for renewal near the end of the current year and the beginning of the next. We expect to use the flexibility this provision affords on an number of such actions later this year. As a result, it should be possible to redistribute some traditionally end-of-year workload, thus avoiding some overtime in further years. Since contractor marketing activity tends to mirror customer purchasing activity, similar benefits should also accrue to the private sector in future years. By using this approach, we will also avoid lapes of essential support services when appropriations expire and new appropriations have not yet been enacted.

STAFFING REDUCTIONS

Mr. WHITTEN. Your explanatory notes show a decrease of 193 full-time equivalents (FTE) from fiscal year 1986 to fiscal year 1987. In light of your proposed operating increase of almost $28 million, please explain the significant decrease in FTE's. The notes identify the reduction only as a general staffing reduction. Provide us a detail of which programs these decreases will come from and any offsetting increases.

Dr. YOUNG. Actually, we are absorbing this staffing reduction during fiscal 1986, primarily as a result of the reduction of $18 million due to sequestration under the Gramm/Rudman/Hollings Act, as well as the other reductions which were applied to our final appropriations for this year. Because the sequestration of $18 million came about after we were already about one-third of the way through the fiscal year, we hae had to freeze hiring throughout most of the Agency. Therefore, this general staffing reduction was reflected across the board in all of the projects listed in our explanatory notes. In essence, all of our programs will take a general reduction in staffing, and the only offsetting increase is a small increase in our new drug evaluation activities.

For 1987, we plan to operate at the same overall staffing level as our present FTE ceiling for 1986. Although our request for 1987 will restore our funding to the 1986 level before Gramm/Rudman Hollings, we intend to continue our efforts to increase productivity and make greater use of contract support so that we will not have to increase our staffing. As shown in our explantory notes, we do plan in 1987 to reallocate 40 staffyears into the New Drug Evaluaton project to keep up with the rising workload of human drug applications and reduce the average approval time. This reallocation will be taken pro-rata from all other projects.

DISTRIBUTION OF FDA RESOURCES

Mr. WHITTEN. Please submit for the record the chart that appears on pages 7, 8, and 9 of FDA's budget justifications.

[The information follows:]

DISTRIBUTION OF FDA RESOURCES
Program Expenses

FOODS	1986 Before Sequestration	1986 Revised Obligations (After sequestration)				1987			
				Percent of Total				Percent of Total	
	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000
Food Safety									
Foodborne Biological Hazards..	$49,832	906	$47,689	13.4	11.8	899	$51,165	13.3	11.4
Chemical Contaminants.........	24,960	479	23,887	7.1	5.9	476	25,700	7.1	5.7
Food Additives................	15,995	254	15,307	3.8	3.8	252	16,366	3.7	3.7
Nutrition.....................	11,054	176	10,579	2.6	2.6	175	11,331	2.6	2.5
Cooperative Food Programs.....	7,155	135	6,847	2.0	1.7	134	7,356	2.0	1.6
Total Food Safety.............	108,996	1,950	104,309	28.9	25.8	1,936	111,918	28.7	24.9
Food Economics................	2,887	62	2,762	0.9	0.7	62	3,003	0.9	0.7
Cosmetics.....................	2,801	55	2,681	0.8	0.7	55	2,902	0.8	0.6
TOTAL FOODS...................	114,684	2,067	109,752	30.6	27.2	2,053	117,823	30.4	26.2

	1986 Before Sequestration	1986 Revised Obligations (After sequestration)				1987			
				Percent of Total				Percent of Total	
	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000
DRUGS									
Human Drugs and Biologics									
New Drug Evaluation............	$25,253	475	$24,167	7.0	6.0	515	$42,547	7.6	9.5
Orphan Drugs..................	4,672	34 1/	4,471 1/	0.3	0.9	34 1/	4,750 1/	0.3	0.9
Drug Quality Assurance.........	35,482	733	33,956	10.9	8.4	729	36,665	10.8	8.1
Generic Drug Standards.........	4,344	95	4,157	1.4	1.0	94	4,468	1.4	1.0
Generic Drug Evaluation........	8,640	176	8,268	2.6	2.1	176	8,971	2.6	2.0
OTC Drug Evaluation............	4,335	84	4,149	1.2	1.0	83	4,442	1.2	1.0
Biopharmaceutics..............	4,336	79	4,149	1.2	1.0	78	4,434	1.2	1.0
Bio-Research Monitoring........	8,332	170	7,974	2.5	2.0	169	8,602	2.5	1.9
Drug Experience & Trend Analysis	4,933	63	4,721	0.9	1.2	63	5,052	0.9	1.1
Prescription Drug Advertising and Labeling................	1,706	31	1,633	0.5	0.4	31	1,764	0.5	0.4
Blood and Blood Products.......	14,954	212	14,311	3.1	3.6	211	15,302	3.1	3.4
Viral & Rickettsial Products...	11,868	137	11,358	2.0	2.8	136	12,076	2.0	2.7
Bacterial & Allergenic Products	5,567	90	5,328	1.3	1.3	89	5,687	1.3	1.3
Health Fraud..................	1,850	39	1,770	0.6	0.4	39	1,923	0.6	0.4
Total Human Drugs and Biologics	135,464	2,402	129,639	35.5	32.1	2,431	155,830	36.0	34.7
Animal Drugs and Feeds									
Animal Feed Safety............	7,725	134	7,393	2.0	1.8	132	7,881	2.0	1.8
Safety of Animal-Derived Human Foods.................	5,702	95	5,457	1.4	1.4	94	5,834	1.4	1.3
New Animal Drug Evaluation.....	5,460	89	5,225	1.3	1.3	88	5,581	1.3	1.2
Monitoring Marketed Animal Drugs and Devices...........	3,394	64	3,248	1.0	0.8	64	3,517	0.9	0.8
Bio-Research Monitoring........	1,025	20	981	0.3	0.2	20	1,062	0.3	0.2
Voluntary Compliance........	501	9	479	0.1	0.1	9	518	0.1	0.1
Total Animal Drugs and Feeds...	23,807	411	22,783	6.1	5.6	407	24,393	6.0	5.4
TOTAL DRUGS......................	159,271	2,813	152,422	41.6	37.7	2,838	180,223	42.0	40.1

1/ Includes $853,000 and 16 FTEs (non-add) representing costs related to Orphan Drugs included in other programs.

	1986 Before Sequestration	1986 Revised Obligations (After sequestration)				1987			
				Percent of Total				Percent of Total	
	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000
DEVICES AND RADIOLOGICAL PRODUCTS									
Monitoring and Quality Conformance....................	$31,779	608	$30,413	9.0	7.6	605	$32,239	9.0	7.2
Product Evaluation..............	15,284	270	14,627	4.0	3.6	269	15,505	4.0	3.5
Bioeffects Analysis, Testing, and Measurement Development....	11,720	166	11,216	2.5	2.8	165	11,837	2.4	2.6
Education & Assistance..........	9,740	162	9,321	2.4	2.3	161	9,852	2.4	2.2
TOTAL, DEVICES & RADIOLOGICAL PRODUCTS..........................	68,523	1,206	65,577	17.9	16.3	1,200	69,433	17.8	15.5
NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH...........	22,280	280	21,322	4.1	5.3	278	22,664	4.1	5.0
PROGRAM MANAGEMENT.................	55,548	391	53,160	5.8	13.2	388	57,807	5.7	12.9
BUILDINGS AND FACILITIES	1,441	---	1,379	---	0.3	---	1,450	---	---
TOTAL OBLIGATIONS................	421,747	6,757	403,612	100.0	100.0	6,757	449,400	100.0	100.0
User Charge Collections.........	---	---	---	---	---	---	25,800	---	---
TOTAL, FOOD AND DRUG ADMINISTRATION	421,747	6,757	403,612			6,757	423,600		

PMS PROJECTS

Mr. WHITTEN. Please provide for the record a list of all program management system—PMS—managers and blue book entries for all new projects which appear in the 1987 budget.

Dr. YOUNG. There have not been any new PMS projects added this year. I will be pleased to submit for the record a list of the PMS managers.

[The information follows:]

FY 1985 PMS project	Project manager
Food safety:	
Chemical contaminants	Pasquale Lombardo.
Food additives	Gerad L. McCowin.
Nutrition	John E. Vanderveen, Ph. D.
Foodborne biological hazards	Ralston B. Read, Jr., Ph.D.
Cooperative food programs	Ralston B. Read, Jr., Ph.D.
Food economics	Raymond E. Shucker, Ph.D.
Cosmetics	Heinz J. Eiermann.
Human drugs and biologics:	
Orphan drugs	Stephen B. Fredd, M.D.
Bioresearch monitoring: Drugs and biologics	Sam T. Gibson, M.D.
Generic drug evaluation	Kent T. Johson.
Prescription drug advertising and labeling	Lloyd G. Millstein, Ph.D; Kenneth R. Feather.
Biopharmaceutics	Jerome P. Skelly, Ph.D.
Drug experience and trends analysis	Charles Anello, Sc.D.
Drug quality assurance	Daniel L. Michels.
Generic drug standards	Charma A. Konnor.
New drug evaluation	Madge L. Crouch; Richard A. Terselic.
Over-the-counter drug evaluation	William E. Gilbertson, Pharm.D.
Bacterial and allergenic products	Carolyn Hardegree, M.D.
Blood and blood products	Thomas F. Zuck, M.D.
Viral and Rickettsial products	Gerald V. Quinnan, Jr., M.D.
Health fraud: Human drugs and biologics	Rudolf Apodaca.
Animal drugs and needs:	
Animal drugs: Bioresearch monitoring	Norma R. Tufts, V.M.D.
Safety of animal-derived human foods	J. Settepani, Ph.D.; George Graber, Ph.D.
Animal feed safety	George Graber, Ph.D.
New animal drug evaluation	R. Carnevale, V.M.D.
Monitoring marketed animal drugs and devices	Andrew J. Beaulieu, V.M.D.
Voluntary compliance in animal drugs and feeds	Gary E. Stefan.
Medical devices and radiological health:	
Medical and radiological device monitoring and quality conformance	Walter E. Gundaker.
Medical and radiological device product evaluation	Robert G. Britain.
Medical and radiological device bioeffects analysis, test and measurement development.	Kshitij Mohan, Ph.D.
Medical and radiological device education and assistance	Joseph S. Arcarese.
National Center for Toxicological Research	Ronald W. Hart, Ph.D.

ORPHAN PRODUCT GRANTS

Mr. WHITTEN. Regarding orphan drugs, how many approved but unfunded grant applications do you have on hand now?

Dr. YOUNG. FDA publishes a Request for Applications each year. The notice describes in general terms the type of applications we will consider. Unfunded but approved grant requests may be submitted for reconsideration. In FY85, of the 46 proposals received, 19 new grants were funded and 20 were approved but not funded. In FY86, while 50 applications have been received, the review and evaluation is in progress and no awards have been made to date. I wish to add that as this program develops, a higher proportion of grant funding will be used for continuation funding. For example in FY85, roughly one-third of the total funding was devoted to such renewals. By FY87, of the $3 million presently estimated to be available for funding, about two-thirds of the funding will be devoted to continue prior grants.

Mr. WHITTEN. Describe for us the agencywide orphan product identification network.

Dr. YOUNG. The agencywide orphan product identification network consists of employees in the Office of Orphan Products Development (OPD) who review current Investigational New Drug (IND) printouts and work with employees in the Center for Drugs and Biologics to detech those drugs and biologics which appear promising as therapies for diseases, but which are not being pursued toward marketing because of limited commercial value. A similar interaction between employees of OPD and the Center for Devices and Radiological Health is taking place to identify orphan medical devices.

Mr. WHITTEN. Please provide for the record all the orphan products you have approved and the designations you have granted.

[The information follows:]

ORPHAN DRUGS AND DEVICES APPROVED

JUNE 1982 - DECEMBER 1985

* PANHEMATIN - HEPATIC PORPHYRIA

ALPHA-FETO PROTEIN - DIAGNOSTIC FOR TESTICULAR CANCER

PIMOZIDE - TOURETTE'S DISORDER

GONADORELIN - DIAGNOSTIC FOR EVALUATION OF HYPOTHALMIC-PITUITARY GONADOTROPIC FUNCTION

ACETOHYDROXAMIC ACID - FOR UREASE SPLITTING URINARY TRACT INFECTIONS

HYDROMORPHONE HIGH POTENCY - CHRONIC PAIN

* CHENODIOL - DISSOLUTION OF RADIOLUCENT GALLSTONES IN POOR-SURGICAL-RISK PATIENTS

ETOPOSIDE - TESTICULAR CANCER

CYCLOSPORINE - IMMUNOSUPPRESSANT TO PREVENT ORGAN TRANSPLANT REJECTION

DESMOPRESSIN - MODERATE HEMOPHILIA

CELLULOSE PHOSPHATE SODIUM - HYPERCALCIURIA AND RECURRENT CALCIUM NEPHROLITHIASIS

* PENTAMIDINE ISETHIONATE - P. CARINII PNEUMONIA

* NALTREXONE - NARCOTIC ADDICTION

TRILOSTANE - CUSHING'S SYNDROME

TOLAZOLINE HCL - PERSISTENT PULMONARY HYPERTENSION IN THE NEWBORN

INDOMETHACIN SODIUM TRIHYDRATE - PATENT DUCTUS ARTERIOSUS

* CROMOLYN SODIUM 4% OPHTHALMIC SOLUTION - VERNAL KERATOCONJUNCTIVITIS

DRONABINOL (THC) - NAUSEA AND VOMITING ASSOCIATED WITH CANCER CHEMOTHERAPY IN PATIENTS WHO HAVE FAILED TO RESPOND ADEQUATELY TO CONVENTIONAL ANTIEMETIC TREATMENTS

ORPHAN DRUGS AND DEVICES APPROVED

JUNE 1982 - DECEMBER 1985

* POTASSIUM CITRATE - MANAGEMENT OF RENAL TUBULAR ACIDOSIS (RTA) WITH CALCIUM STONES, HYPOCITRATURIC CALCIUM OXALATE NEPHROLITHIASIS OF ANY ETIOLOGY, AND URIC ACID LITHIASIS WITH OR WITHOUT CALCIUM STONES

* MONOOCTANOIN - SOLUBILIZING AGENT FOR CHOLESTEROL (RADIOLUCENT) GALLSTONES RETAINED IN THE BILIARY TRACT FOLLOWING CHOLECYSTECTOMY, WHEN OTHER MEANS OF REMOVING CHOLESTEROL STONES HAVE FAILED OR CANNOT BE UNDERTAKEN.

* TRIENTINE HCL - TREATMENT OF PATIENTS WITH WILSON'S DISEASE WHO ARE INTOLERANT OF PENICILLAMINE WHEN CONTINUED TREATMENT WITH PENICILLAMINE IS NO LONGER POSSIBLE BECAUSE OF INTOLERABLE OR LIFE-ENDANGERING SIDE EFFECTS

* SOMATROPIN - FOR LONG-TERM TREATMENT OF CHILDREN WHO HAVE GROWTH FAILURE DUE TO A LACK OF ADEQUATE ENDOGENOUS GROWTH HORMONE SECRETION

*DESIGNATED ORPHAN COMPOUND UNDER THE ORPHAN DRUG ACT (PUB. L. 97-414 AS AMENDED)

Wang#0497J
12/13/85

ORPHAN DRUGS AND DEVICES APPROVED

JUNE 1982 - DECEMBER 1985

* POTASSIUM CITRATE - MANAGEMENT OF RENAL TUBULAR ACIDOSIS (RTA) WITH CALCIUM STONES, HYPOCITRATURIC CALCIUM OXALATE NEPHROLITHIASIS OF ANY ETIOLOGY, AND URIC ACID LITHIASIS WITH OR WITHOUT CALCIUM STONES

* MONOOCTANOIN - SOLUBILIZING AGENT FOR CHOLESTEROL (RADIOLUCENT) GALLSTONES RETAINED IN THE BILIARY TRACT FOLLOWING CHOLECYSTECTOMY, WHEN OTHER MEANS OF REMOVING CHOLESTEROL STONES HAVE FAILED OR CANNOT BE UNDERTAKEN.

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Wang#0497J
12/13/85

ORPHAN DRUG AND BIOLOGICAL PRODUCT DESIGNATIONS THRU 1985

BIOLOGICAL PRODUCT DESIGNATIONS

Name of biological product	Proposed use	Sponsor's name and address
Generic--Alpha-1-antitrypsin (recombinant DNA origin). Trade--Not established.	Supplementation therapy for alpha-1 antitrypsin deficiency in the ZZ phenotype population.	Cooper Biomedical, Inc., 3145 Porter Dr., Palo Alto, CA 94304.
Generic--Alpha-1-proteinase inhibitor (Alpha-1 PI). Trade--Not established.	Replacement therapy in the Alpha 1 PI congenital deficiency state.	Cutter Laboratories, P.O. Box 1986, Berkeley, CA 94701.

Name of biological product	Proposed use	Sponsor's name and address
Generic--Antimelanoma antibody XMMME-001-DTPA-III$_{IN}$. Trade--Same as generic.	Diagnostic use in imaging systemic and nodal melanoma metastasis.	Xoma Corp., 3516 Sacramento St., San Francisco, CA 94118.
Generic--Antimelanoma antibody XMMME-001-RTA. Trade--Same as generic.	Treatment of Stage III melanoma not amenable to surgical resection.	Xoma Corp., 3516 Sacramento St., San Francisco, CA 94118.
Generic--Antithrombin III (AT-III). Trade--Not established.	For use as replacement therapy in congenital deficiency of AT-III for prevention and treatment of thrombosis and pulmonary emboli.	Cutter Laboratories, P.O. Box 1986, Berkeley, CA 94701.

Name of biological product	Proposed use	Sponsor's name and address
Generic--Antithrombin III concentrate I.V. Trade--Kybernin.	Prophylaxis and treatment of thromboembolic episodes in patients with genetic AT-III deficiency.	Hoechst-Roussel Pharmaceuticals, Inc., Route 202-206 North, Somerville, NJ 08876.
Generic--Antithrombin III (human). Trade--Antithrombin.	Hereditary AT-III deficiency.	Kabi Vitrum Inc., 1311 Harbor Bay Parkway, Alameda, CA 94501.
Generic--Botulinum A toxin. Trade--Oculinum.	Treatment of strabismus and blepharospasm.	Alan B. Scott, 2232 Webster St., San Francisco, CA 94115.

Name of biological product	Proposed use	Sponsor's name and address
Generic--Digoxin-specific antibody fragments. Trade--Digibind.	Treatment of potentially life-threatening digitalis intoxication in patients who are refractory to management by conventional therapy.	Burroughs-Wellcome Co., 3030 Cornwallis Rd., Research Triangle Park, NC 27709.
Generic--Erwinia L-Asparaginase. Trade--Not established.	Acute lymphoblastic leukemia.	Lypho Med, Inc., 2020 Ruby St., Melrose Park, IL 60160.
Generic--Factor XIII. Trade--Fibrogammin.	Congenital Factor XIII deficiency.	Hoechst-Roussel Pharmaceuticals, Inc., Route 202-206 North, Somerville, NJ 08876.

Name of biological product	Proposed use	Sponsor's name and address
Generic--Hemin. Trade--Panhematin.1/, 2/	Amelioration of recurrent attacks of acute intermittent porphyria temporally related to the menstrual cycle in susceptible women and similar symptoms which occur in other patients with acute intermittent porphyria, porphyria variegata, and hereditary coproporphyria.	Abbott Laboratories, North Chicago, IL 60064.
Generic--Pentastarch. Trade--Not established.	For use as an adjunct in leukapheresis, to improve the harvesting and increase the yield of leukocytes by centrifugal means.	American Critical Care, 1600 Waukegan Rd., McGaw Park, IL 60085.

Name of biological product	Proposed use	Sponsor's name and address
Generic--Sheep antidigoxin Fab. *Trade*--Digidote.	Life-threatening acute cardiac glycoside intoxication manifested by conduction disorders, ectopic ventricular activity, and (in some cases) hyperkalemia.	Boehringer Mannheim Corp., 1301 Piccard Dr., Rockville, MD 20850.

1/ Approved for marketing.

2/ Exclusive approval.

DRUG PRODUCT DESIGNATIONS

Name of drug product	Proposed use	Sponsor's name and address
Generic--Allopurinol riboside. *Trade*--Not established.	Treatment of cutaneous and visceral leishmaniasis and Chagas' disease.	Burroughs-Wellcome Co., 3030 Cornwallis Rd., Research Triangle Park, NC 27709.
Generic--Amsacrine. *Trade*--Amsidyl.	Treatment of patients with acute adult leukemia.	Warner-Lambert Co., 201 Tabor Rd., Morris Plains, NJ 07950.
Generic--Anagrelide. *Trade*--Not established.	Treatment of polycythemia vera.	Bristol-Myers Co., P.O. Box 4755, Syracuse, NY 13221-4755.
Generic--Antipyrine. *Trade*--Not established.	Antipyrine test as an index of hepatic drug-metabolizing capacity.	Upsher-Smith Laboratories, Inc., 14905 23d Ave. North, Minneapolis, MN 55441.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Bacitracin, U.S.P. Trade--Not established.	Antibiotic-associated pseudomembranous enterocolitis caused by toxins A and B elaborated by *Clostridium difficile*.	A.L. Laboratories, Inc., 452 Hudson Terrace, P.O. Box 1621, Englewood Cliffs, NJ 07632.
Generic--BW A509U. Trade--Not established.	Treatment of acquired immunodeficiency syndrome (AIDS).	Burroughs-Wellcome Co., 3030 Cornwallis Rd., Research Triangle Park, NC 27709.
Generic--BW B759U. Trade--Not established.	Treatment of severe human cytomegalovirus infections (HCMV) in specific immunosuppressed patient populations (e.g., bone marrow transplant recipients and AIDS).	Burroughs-Wellcome Co., 3030 Cornwallis Rd., Research Triangle Park, NC 27709.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Chenodiol. Trade--Chenix. 1/, 2/	For patients with radiolucent stones in well opacifying gallbladders, in whom elective surgery would be undertaken except for the presence of increased surgical risk due to systemic disease or age.	Rowell Laboratories, Inc., 210 Main St. West, Baudette, MN 56623.
Generic--Clofazimine. Trade--Lamprene.	Treatment of leprosy resistant to Dapsone and the ENL and lepra reaction.	Pharmaceuticals Division, Ciba-Geigy Corp., 556 Morris Ave., Summit, NJ 07901.
Generic--Colchicine. Trade--Not established.	For use in arresting the progression of neurologic disability caused by chronic progressive multiple sclerosis.	Pharmacontrol Corp., P.O. Box 931, 661 Palisade Ave., Englewood Cliffs, NJ 07632.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Cromolyn Sodium. Trade--Cromoral.	Mastocytosis.	Fisons Corp., 2 Preston Ct., Bedford, MA 01730.
Generic--Cromolyn Sodium 4% ophthalmic solution. Trade--Opticrom 4% Ophthalmic Solution.[1/]	Treatment of vernal keratoconjunctivitis (VKC).	Fisons Corp., 2 Preston Ct., Bedford, MA 01730.
Generic--Cyproterone acetate. Trade--Cyproteron/ Androcur.	Treatment of severe hirsutism.	Berlex Laboratories, Inc., 110 East Hanover Ave., Cedar Knolls, NJ 07927.
Generic--Diaziquone. Trade--Not established.	Treatment of primary brain malignancies (Grade III-IV astrocytomas).	Warner-Lambert Co., 201 Tabor Rd., Morris Plains, NJ 07950.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Defibrotide. *Trade*--Not established.	Treatment of thrombotic thrombocytopenic purpura.	Crinos International, Via Belvedere 1, 22079 Villa Guardia (Como), Italy.
Generic--Epoprostenol prostacyclin, PGI_2, PGX. *Trade*--Flolan.	Replacement of heparin in patients requiring hemodialysis and who are at increased risk of hemorrhage.	Burroughs Wellcome Co., 3030 Cornwallis Rd., Research Triangle Park, NC 27709.
Generic--Epoprostenol. *Trade*--Cyclo-Prostin.	Replacement of heparin in patients requiring hemodialysis and who are at increased risk of hemorrhage.	The Upjohn Co., 301 Henrietta St., Kalamazoo, MI 49001.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Epoprostenol, prostacyclin, PGI_2, PGx. Trade--Flolan.	For use in the treatment of primary pulmonary hypertension (PPH).	Burroughs Wellcome Co., 3030 Cornwallis Rd., Research Triangle Park, NC 27709.
Generic--Ethanolamine oleate. Trade--Not established.	Bleeding esophageal varices.	Glaxo, Inc., P.O. Box 13960, Five Moore Dr., Research Triangle Park, NC 27709.
Generic--Flumecinol. Trade--Zixoryn.	Hyperbilirubinemia in newborn infants unresponsive to phototherapy.	Farmacon, Inc., P.O. Box 586, Westport, CT 06881.
Generic--Glucocerebrosidase/beta-glucosidase (placenta-derived). Trade--Not established.	Replacement therapy in patients with Gaucher's Disease Type I.	Genzyme Corp., 75 Kneeland St., Boston, MA 02111.

Name of drug product	Proposed use	Sponsor's name and address
Generic--HPA-23. Trade--Not established.	Treatment of acquired immunodeficiency syndrome (AIDS).	Rhone-Poulenc Pharmaceuticals, Division of Rhone Poulenc, Inc., P.O. Box 125, Black Horse Lane, Monmouth Junction, NJ 08852.
Generic--Hexamethylmelamine. Trade--Hexastat.	Treatment of advanced adenocarcinoma of the ovary.	Ives Laboratories, 685 Third Ave., New York, NY 10017.
Generic--Human epidermal growth factor (urogastrone). Trade--Not established.	Acceleration of corneal epithelial regeneration and healing of stromal incisions from corneal transplant surgery.	Chiron Corp., 4560 Horton St., Emeryville, CA 94608.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Human epidermal growth factor (urogastrone). Trade--Not established.	Promotion of cutaneous wound healing in extreme burn treatment protocols.	Chiron Corp., 4560 Horton St., Emeryville, CA 94608.
Generic--Human superoxide dismutase (hSOD). Trade--Not established.	Protection of donor organ tissue from damage or injury mediated by oxygen-derived free radicals that are generated during the necessary periods of ischemia (hypoxia, anoxia), and especially reperfusion, associated with the operative procedure.	Chiron Corp., 4560 Horton St., Emeryville, CA 94608.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Hydroxycobalamin/sodium thiosulfate. Trade--Not established.	Treatment of severe acute cyanide poisoning.	Evreka, Inc., P.O. Box 1513, 1990 Broadway, New York, NY 10023.
Generic--Ifosfamide. Trade--Not established.	Treatment of soft tissue and bone sarcomas.	Bristol-Myers Co., P.O. Box 4755, Syracuse, NY 13221-4755.
Generic--L-alpha-acetyl-methadol (LAAM). Trade--Not established.	Treatment of heroin addicts suitable for maintenance on opiate agonists.	Dixon and Williams Pharmaceutical Co., Inc., 43 Old Wood Rd., Bernardsville, NJ 07924.
Generic--L-carnitine. Trade--Not established.	Genetic carnitine deficiency.	American McGaw, Division of American Hospital Supply Corp., 2525 McGaw Ave., Irvine, CA 92714.

Name of drug product	Proposed use	Sponsor's name and address
Generic--L-carnitine.[1], [2] Trade--Not established.	Primary and secondary carnitine deficiency of genetic origin.	Sigma Tau, Inc., 723 North Beers St., Holmdel, NJ 07733.
Generic--L-5 Hydroxytryptophan (L-5HTP). Trade--Not established.	Treatment of postanoxic intention myoclonus.	Bolar Pharmaceutical Co., Inc., 130 Lincoln St., Copiague, NY 11726.
Generic--Mesna. Trade--Uromitexan.	For use in inhibiting the urotoxic effects induced by ifosfamide.	Bristol-Myers Co., P.O. Box 4755, Syracuse, NY 13221-4755.
Generic--Methotrexate sodium. Trade--Methotrexate.	Treatment of osteogenic sarcoma.	Lederle Laboratories, Pearle River, NY 10965.
Generic--Midodrine HCl. Trade--Midamine.	Treatment of idiopathic orthostatic hypotension.	Roberts Laboratories, Inc., 230 Half Mile Rd., Red Bank, NJ 07701.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Monoclonal Antiendotoxin Antibody XMMEN-OE5. Trade--Same as generic.	Treatment of patients with gram-negative sepsis which has progressed to shock.	Xoma Corp., 2910 Seventh St., Berkeley, CA 94710.
Generic--Monooctanoin. Trade--Moctan. 1/, 2/	Dissolution of cholesterol gallstones retained in the common bile duct.	Ascot Pharmaceuticals, Inc., 7701 North Austin Ave., Skokie, IL 60077.
Generic--Naltrexone HCl. Trade--Trexan. 1/, 2/	Blockade of the pharmacological effects of exogenously administered opioids as an adjunct to the maintenance of the opioid-free state in detoxified formerly opioid-dependent individuals.	E.I. du Pont De Nemours, Inc., dba Du Pont Pharmaceuticals, 1000 Stewart Ave., Garden City, NY 11530.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Oxymorphone HCl. Trade--Numorphan H.P.	Relief of severe intractable pain in narcotic-tolerant patients.	Du Pont Pharmaceuticals, Inc., P.O. Box 12, Manati, Puerto Rico 00701.
Generic--PEG-adenosine deaminase (PEG-ADA). Trade--Imudon.	For use as enzyme replacement therapy for ADA deficiency in patients with severe combined immunodeficiency (SCID).	Enzon, Inc., 300C Corporate Court, South Plainfield, NJ 07080.
Generic--Pentamidine isethionate. Trade--Pentam 300[1/, 2/]	Pneumocystis carinii pneumonia.	LyphoMed, Inc., 2020 Ruby St., Melrose Park, IL 60160.
Generic--Pentamidine isethionate. Trade--Not established.	Pneumocystis carinii pneumonia.	Rhone-Poulenc, Inc., 52 Vanderbilt Ave., New York, NY 10017.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Physostigmine salicylate. *Trade*--Antilirium.	Friedreich's and other inherited ataxias.	Forrest Pharmaceuticals, Inc., 2510 Metro Blvd., Maryland Heights, MO 64043-99.
Generic--Potassium citrate. *Trade*--Urocit-K. 1/, 2/	Prevention of calcium stones in patients with hypocitraturia and for the avoidance of the complication of calcium stone formation in patients with uric lithiasis.	Charles Y. C. Pak, The University of Texas Health Science Center at Dallas, 5323 Harry Hines Blvd., Dallas, TX 75235.
Generic--Potassium citrate. *Trade*--Urocit-K. 1/, 2/	Prevention of uric acid nephrolithiasis.	Charles Y. C. Pak, The University of Texas Health Science Center at Dallas, 5323 Harry Hines Blvd., Dallas, TX 75235.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Prednimustine. Trade--Sterecyt.	Treatment of malignant non-Hodgkin's lymphomas.	Smith Kline and French Laboratories, 1500 Spring Garden St., Philadelphia, PA 19101.
Generic--Quinacrine HCl. Trade--Not established.	For use in the prevention of recurrence of pneumothorax in patients at high risk of recurrence, e.g., patients with cystic fibrosis.	LyphoMed, Inc., 2020 Ruby St., Melrose Park, IL 60160.
Generic--RS 21 592-000 (DHPG). Trade--Not established.	Treatment of cytomegalovirus (CMV) infections of a serious life- or sight-threatening nature in immunocompromised patients.	Syntex (USA), Inc., 3401 Hillview Ave., Palo Alto, CA 94304.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Rifampin. Trade--Rifadin I.V.	For use as anti-tuberculosis treatment where use of the oral form of the drug is not feasible.	Merrell Dow Pharmaceuticals, 2110 East Galbraith Rd., Cincinnati, OH 45215.
Generic--Rifampin, isoniazid, pyrazinamide. Trade--Rifater V.	Short course treatment of tuberculosis.	Merrell Dow Research Institute, 2110 East Galbraith Rd., Cincinnati, OH 45215.
Generic--Selegiline HCl. Trade--Deprenyl.	Adjuvant to levodopa or levodopa and carbidopa treatment of idiopathic Parkinson's disease (paralysis agitans), postencephalitic parkinsonism, and symptomatic parkinsonism.	S.C. Johnson and Son, Inc., 1525 Howe St., Racine, WI 53403-5011.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Sodium gamma hydroxybutyrate (GHB). Trade--Not established.	Narcolepsy and the auxiliary symptoms of cataplexy, sleep paralysis, hypnagogic hallucinations, and automatic behavior.	Sigma F and D Division, Ltd., Sigma Chemical Co., 3050 Spruce St., St Louis, MO 63103.
Generic--Sodium monomercapto-undecahydro-closo-dodecaborate. Trade--Borolife.	Treatment of glioblastoma multiforme as an alternative to conventional photon therapy.	Nuclear Medicine, Inc., 900 Atlantic Dr. NW., Atlanta, GA 30332.
Generic--Sodium pentosan polysulphate. Trade--Elmiron.	Treatment of interstitial cystitis.	Pharmacia, Inc., 800 Centennial Ave., Piscataway, NJ 08854.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Somatrem. 1/, 2/ Trade--Protropin.	For long-term treatment of children who have growth failure due to a lack of adequate endogenous growth hormone secretion.	Genentech, Inc., 460 Point San Bruno Blvd., South San Francisco, CA 94080.
Generic--Somatrem. Trade--Protropin.	Short stature associated with Turner's syndrome.	Genentech, Inc., 460 Point San Bruno Blvd., South San Francisco, CA 94080.
Generic--Spiramycin. Trade--Rovamycine.	For use in the symptomatic relief and parasitic cure of chronic cryptosporidiosis in patients with immunodeficiency.	Rhone-Poulenc, Inc., 52 Vanderbilt Ave., New York, NY 10017.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Surface active extract of saline lavage of bovine lungs. Trade--Infasurf.	Treatment and prevention of respiratory failure due to pulmonary surfactant deficiency in preterm infants.	ONY Inc., TDC Incubation Center, 2211 Main St., Buffalo, NY 14214.
Generic--Teniposide (VM-26). Trade--Not established.	Treatment of refractory childhood acute lymphocytic leukemia (ALL).	Bristol-Myers Co., Pharmaceutical Research and Development Division, P.O. Box 4755, Syracuse, NY 13221-4755.
Generic--Thymone (TRH). Trade--Protirelin.	Amyotrophic lateral sclerosis (ALS).	Abbott Laboratories, North Chicago, IL 60064.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Tranexamic acid. Trade--Cyklokapron.	Treatment of hereditary angioneurotic edema and for patients with congenital coagulopathies who are undergoing surgical procedures, e.g., dental extractions.	Kabi Vitrum, Inc., 1311 Harbor Bay Parkway, Alameda, CA 94501.
Generic--Tretinoin. Trade--Not established.	Treatment of squamous metaplasia of the ocular surface epithelia (conjunctive and/or cornea) with mucous deficiency and keratinization.	S.C.G. Tseng, M.D., Ph.D., Eye Research Institute of Retina Foundation, 20 Staniford St., Boston, MA 02114.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Trientine HCl. Trade--Cuprid.[1/, 2/]	Treatment of patients with Wilson's disease who are intolerant or inadequately responsive to penicillamine.	Merck Sharp and Dohme Research Laboratories, Division of Merck and Co., Inc., West Point, PA 19486.
Generic--Trimetrexate glucuronate. Trade--Not established.	Treatment of metastatic colorectal adenocarcinoma, metastatic carcinoma of the head and neck (i.e., buccal cavity, pharynx, and larynx), and pancreatic adenocarcinoma.	Warner-Lambert Co., 2800 Plymouth Rd., P.O. Box 1047, Ann Arbor, MI 48106.
Generic--Viloxazine hydrochloride. Trade--Vivalan.	Treatment of narcolepsy and cataplexy.	Stuart Pharmaceuticals, Division of ICI Americas Inc., Wilmington, DE 19897.

Name of drug product	Proposed use	Sponsor's name and address
Generic--Zinc acetate. Trade--Not established.	For use in the treatment of Wilson's disease.	Lemmon Co., 650 Cathill Rd., Sellersville, PA 18960.
Generic--^{131}I-Meta-iodobenzylguanidine. Trade--Not established.	Diagnostic adjunct in patients with pheochromocytoma.	William H. Beierwaltes, Physician-in-charge, Nuclear Medicine, University of Michigan Medical Center, 1405 East Ann St., Ann Arbor, MI 48109.
Generic--^{131}I-6β-Iodomethyl-19-norcholesterol. Trade--Not established.	Adrenal cortical imaging.	William H. Beierwaltes, Physician-in-charge, Nuclear Medicine, University of Michigan Medical Center, 1405 East Ann St., Ann Arbor, MI 48109.

Name of drug/biological product	Proposed use	Sponsor's name and address
Generic--2,3-Dimercaptosuccinic Acid (DMSA). Trade--Not established.	Treatment of lead poisoning in children.	Johnson and Johnson, Baby Products Co., Grandview Rd., Skillman, NJ 08858.

1/ Approved for marketing.

2/ Exclusive approval.

Dated: 1/23/86.

JAN 23 1986

Adam J. Trujillo
Acting Associate Commissioner
for Regulatory Affairs

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

ORPHAN DRUG AND BIOLOGICAL PRODUCT DESIGNATIONS

January 1986 through March 1986

(Approved for Marketing*)
(Exclusive Approval **)

BIOLOGICAL PRODUCT DESIGNATIONS

Name of Biologic	Designated Use	Sponsor's Name and Address
Generic-Anti Pan T Lymphocyte Monoclonal Antibody H65-Ricin A Chain Confugate Trade-Anti T Lymphocyte Immunotoxin XMMLY-H65-RTA	For ex vivo treatment to eliminate mature T cells from potential bone marrow grafts and for in-vivo treatment of bone marrow recipients to prevent graft rejection and graft vs host disease (GVHD).	XOMA Corporation 2910 Seventh Street Berkeley, CA 94710
Generic-Antithrombin III (Human) Trade-Antithrombin III (Human)	For use in preventing or arresting episodes of thrombosis in patients with congenital antithrombin III deficiency and/or to prevent the occurrence of thrombosis in patients with antithrombin III deficiency who have undergone trauma or who are about to undergo surgery or parturition	The American National Red Cross National Headquarters 17th and E Street N.W. Washington, D.C. 20006

ORPHAN DRUG AND BIOLOGICAL PRODUCT DESIGNATIONS

January 1986 through March 1986

(Approved for Marketing*)
(Exclusive Approval **)

ORPHAN DRUG DESIGNATIONS

Name of Drug	Designated Use	Sponsor's Name and Address
Generic-Alpha-mercaptopropionylglycine Trade-Thiola	For use in the prevention of cystine nephrolithiasis in patients with homozygous cystinuria	Charles Y.C. Pak, M.D. The Univ. of Texas Health Science Center at Dallas 5323 Harry Hines Blvd. Dallas, TX 75235
Generic-Benzoate/phenylacetate Trade-Ucephan	For adjunctive therapy in the prevention and treatment of hyperammonemia in patients with urea cycle enzymopathy (UCE) due to carbamylphosphate synthetase, ornithine, transcarbamylase or arginosuccinate synthetase deficiency.	Kendall McGaw Laboratories, Inc P.O. Box 25080 Santa Ana, CA 92799-5080
Generic-Etidronate disodium, intravenous solution Trade-Didronel I.V.	Treatment of hypercalcemia of a malignancy inadequately managed by dietary modification and/or oral hydration	Norwich Eaton Pharmaceuticals, Inc. P.O. Box 191 Norwich, NY 13815

ORPHAN DRUG AND BIOLOGICAL PRODUCT DESIGNATIONS (continued)

January 1986 through March 1986

(Approved for Marketing*)
(Exclusive Approval **)

ORPHAN DRUG DESIGNATIONS

Name of Drug	Designated Use	Sponsor's Name and Address
eneric-Flunarizine rade-Sibelium	Treatment of alternating hemiplegia	Janssen Pharmaceutica 40 Kingsbridge Road Piscataway, NJ 08854
eneric-Guanethidine onosulfate rade-Ismelin I.V.	Treatment of moderate to severe reflex sympathetic dystrophy and causalgia	Ciba-Geigy Corporation 556 Morris Avenue Summit, NJ 07901
eneric-Potassium citrate nd citric acid ade-Polycitra-K	For use in the dissolution and control of uric acid and cystine calculi in the urinary tract	Willen Drug Company 18 North High Street Baltimore, MD 21202
eneric-Surfactant TA odified bovine lung rfactant extract) ade-Not established	For the prevention and treatment of neonatal respiratory distress syndrome (RDS)	Ross Laboratories Division of Abbott Laboratories 625 Cleveland Avenue Columbus, OH 43216
neric-Terlipressin ade-Glypressin	For the treatment of bleeding esophageal varices	Ferring AB Soldattorspvagen 5 Box 30651 200 62 Malmo Sweden

ORPHAN PRODUCT EXPENDITURES

Mr. WHITTEN. Please provide for the record a table which will show your expenditures in the orphan product area for 1985, anticipated expenditures for 1986 and 1987, separately identifying grants, contracts, and other individually identifiable administrative costs.

[The information follows:]

ORPHAN PRODUCTS EXPENDITURES 1985–87

[In thousands of dollars]

	1985	1986	1987
Personnel compensation and benefits	1,475	1,580	1,709
Travel and transportation	6	7	8
Other services	13	18	19
Supplies and materials	4	4	5
Equipment	8	8	9
Grants/contracts	[1] 2,570	2,854	3,000
Total	4,076	4,471	4,750

[1] Includes $1 million provided by the National Institute for Child Health and Human Development through an interagency agreement.

ORPHAN PRODUCT BOARD

Mr. WHITTEN. What has been FDA's resource commitment to support the Orphan Product Board during fiscal years 1985 and 1986?

Dr. YOUNG. The Director, Office of Orphan Products Development provides management, staff services, and the executive secretary to the Orphan Products Board. Additionally, the Director of this office serves on the Orphan Products Board. Thus, while we do not keep precise estimates of the cost, our resources committed to the Board comprise only a relatively small percentage of the staff time of this office within FDA.

Mr. WHITTEN. What significant actions has this Board taken?

Dr. YOUNG. The Board conducted a survey of Public Health Service agencies to determine which orphan products were under development. The results of this survey were included in the 1983 and 1984 Annual Reports to Congress. Over 340 poetntial orphan drugs were identified by the Alcohol, Drug Abuse, and Mental Health Administration, the Center for Disease Control, the Food and Drug Administration, and the National Institutes of Health. A summary of the 1984 Annual Report was sent to approximately 250 rare disease organizations in October 1985.

The Orphan Products Board supports the continued operation of the National Information Center for Orphan Drugs and Rare Diseases with funds supplied by FDA. The Center responds to inquiries from the public and health professionals. Approximately 350 inquiries are received each month by the Center.

In December 1985, the Board conducted an open meeting to provide a forum for the public to express their views on orphan product development activities. The major concern expressed at the meeting was the lack of incentives for the development of orphan medical devices. Orphan medical devices are not provided the same initiatives for development as are orphan drugs.

The Board established the Public Health Service Award for Exceptional Achievement in Orphan Products Development. This award is intended to recognize the efforts of public and private entities and individuals who have been actively involved in the development of orphan drugs. Awards were presented to seven recipients during 1985.

ORPHAN PRODUCT RESEARCH

Mr. WHITTEN. Please give us an update of the intramural research on promising orphan products. what specific resources is FDA committing in fiscal year 1985 and expect to commit in fiscal year 1987?

Dr. YOUNG. Intramural toxicology studies of promising orphan products to permit their study in clinical trials continues at FDA's National Center for Toxicological Research. In 1985 resources included about 3 FTE's and $200,000 and will continue at this same level in 1987. The 1985 approval of trien for Wilson's disease was facilitated by such intramural study, and a new drug for the treatment of Gaucher's disease is being considered for study. The FDA anticipates that the National Center for Toxicological testing for this study in 1986, and further anticipates NCTR will continue to provide assistance to orphan product development in 1987.

SULFITES AND SODIUM

Mr. WHITTEN. FDA has taken some significant activities regarding sulfiting agents and sodium labeling since our last hearing. Please submit for the record any published FDA proposals concerning these.

Dr. YOUNG. With respect to sodium, final regulations on sodium labeling were published on April 18, 1984. The effective date of those regulations was to be July 1, 1985, an accord with the Uniform Effective Date for food labeling regulations published before July 1, 1984. FDA received requests to extend the effective date of the regulation requiring sodium to be included in the nutrition label. FDA extended the effective date to July 1, 1986. No other proposals or rules pertaining to sodium have been published in the past year. I will provide copies for the record of the April 18 and July 1 documents.

As for sulfites, I am providing copies of three proposed rules. FDA's April 3, 1985, proposal to require label declaration of sulfiting agents in a finished food if they are present in the food at a significant level. The proposal defines a "significant level" as 10 parts per million or more. FDA's August 14, 1985, proposal to find that the use of sulfiting agents on fruits or vegetables intended to be served raw or sold raw to consumers, or to be presented to consumers as fresh is no longer generally recognized as safe, GRAS. FDA's November 19, 1985, proposal to require that the professional labeling of all prescription drugs that contain sulfiting agents include a sulfite warning statement. These were the only documents that FDA published on sulfites since the last hearing.

[The information follows:]

receipt of the additional information to make a determination on the appeal.

(j) The FDIC may delegate its authority for conducting complaint investigations to other federal agencies, except that the authority for making the final determination may not be delegated.

By order of the Board of Directors. 8th day of April, 1985.

Federal Deposit Insurance Corporation.

Hoyle L. Robinson,

Executive Secretary.

[FR Doc. 85-8848 Filed 4-17-85; 8:45 am]

BILLING CODE 6714-01-M

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 101

[Docket No. 80N-0314]

Food Labeling; Declaration of Sodium Content of Foods and Label Claims for Foods on the Basis of Sodium Content; Proposed Extension of Effective Date

AGENCY: Food and Drug Administration.

ACTION: Proposed rule.

SUMMARY: The Food and Drug Administration (FDA) is proposing to extend until July 1, 1986, the effective date for compliance with the food labeling regulations requiring declaration of sodium content as part of the nutrition label. The current effective date for all affected products initially introduced or initially delivered for introduction into interstate commerce is July 1, 1985. FDA is proposing this extension to minimize economic burdens on certain manufacturers through loss of label inventories and to avoid expenditures of considerable agency resources.

DATES: Comments by May 20, 1985. The proposed extended effective date for compliance with the sodium labeling regulation is July 1, 1986.

ADDRESS: Written comments to the Dockets Management Branch (HFA-305), Food and Drug Administration, Rm. 4-62, 5600 Fishers Lane, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: F. Edward Scarbrough, Center for Food Safety and Applied Nutrition (HFF-204), Food and Drug Administration, 200 C St. SW., Washington, DC 20204, 202-245-3117.

SUPPLEMENTARY INFORMATION: In the Federal Register of April 18, 1984 (49 FR 15510), FDA amended the food labeling regulations (21 CFR 101.9(c)) to require that sodium content of foods be included in nutrition labeling information whenever nutrition labeling appears on food labels. Although the sodium labeling regulation also provided for proper use of certain descriptive terms about sodium and salt content of foods as well as for voluntary disclosure of potassium content information, the only mandatory aspect of the final rule was the inclusion of sodium content information in nutrition labeling in situations where nutrition labeling is required. The effective date for compliance is July 1, 1985, for all affected products initially introduced or initially delivered for introduction into interstate commerce on or after that date.

FDA addressed a number of comments in the preamble to the final regulation regarding the requirement that sodium content be a part of nutrition labeling. The agency responded to these comments by stating that the mandatory inclusion of sodium content information would not pose any significant hardship on those manufacturers who currently use nutrition labeling. At the same time, FDA indicated its interest in minimizing any unique burdens that may be placed on sectors of the food industry as a result of good-faith attempts to comply with the sodium labeling regulation. The agency expressed its willingness to consider as an alternative an extension of the effective date for compliance with the regulation on a case-by-case basis if information was submitted which reasonably demonstrated a need for and anticipated cost savings of adopting such action.

Subsequent to the publication of the final regulation, FDA received from a national trade organization representing the soft drink industry a petition for reconsideration raising a number of issues including a proposal for an alternative sodium disclosure for soft drinks and other products consisting largely of water. Although FDA has indicated that an exemption from sodium labeling requirements will not be granted to the soft drink industry, the agency has been willing to work further with the industry in resolving problems related to establishing sodium values to be declared on the labels of soft drinks.

FDA is currently evaluating the merits of the issues raised in the petition for reconsideration and intends to respond to that petition in the near future. Because the precise requirements for sodium disclosure on labels of soft drinks technically remained uncertain pending a response from FDA, NSDA has argued that there is not enough lead time remaining for bottlers to order new labels and still meet the July 1, 1985, deadline. The agency is aware that the soft drink industry requires a lead time on the order of 9 months to effect label changes. Consequently, FDA issued a letter on November 8, 1984, stating FDA's intent to extend, for the soft drink industry, the effective date for compliance with the sodium labeling regulations until July 1, 1986.

FDA has received a number of additional requests for extensions of the effective date for compliance with the sodium labeling regulation for labels of slow-moving items which will not be depleted by the July 1, 1985, deadline. Several of these requests documented that significant costs would be incurred if existing labels have to be destroyed before use. A majority of these requests have adequately demonstrated that steps have been taken to ensure that the labels of higher-volume items will be in compliance with the regulation before July 1, 1985. Additionally, the majority of those requesting an extension are already committed to providing sodium labeling on their labels with the next orders of labels. Although FDA had previously announced that requests for extensions would be considered on a case-by-case basis (as opposed to proposing a blanket extension of the effective date), it has since become apparent that this approach is no longer feasible. In view of the large number of requests already received, FDA anticipates that the number of labels that would ultimately be submittd for review is very large. Reviewing these labels and the supporting data to determine whether an extension is justified in each case would adversely affect the allocation of resources within the agency.

Because of this adverse impact on the agency's resources and because the information presented to the agency would indicate a potential increase in cost to consumers if manufacturers are unable to use the existing inventories on slow-moving products, the agency is proposing to extend the previously announced effective date for compliance with the mandatory provision of the sodium labeling regulation (requiring that sodium content be declared as a part of the nutrition label) for a period of 1 year until July 1, 1986. This delay would enable all affected manufacturers to effect any necessary label changes to comply with the labeling requirements of the final rule. The agency is stating, however, that it expects manufacturers who requested an extension of the effective date to move forward by inging their labels into compliance as on as possible but no later than July 1, 86.

Data obtained from the most recent Food Label and Package Survey" and rom a recent field survey conducted by DA to monitor the prevalence of sodium information currently on food labels indicate that an extension such as that being proposed would produce only a marginal, short-term reduction in the projected availability of sodium labeled food. FDA believes that the circumstances above would not support an extension of the effective date beyond the proposed additional 1 year period, and industry is strongly encouraged to comply with the previous deadline of July 1, 1985, whenever possible.

FDA is proposing to extend the effective date of the sodium regulation by notice and comment rulemaking to accord with the Administrative Procedure Act and recent case law which has held that an extension of a regulation's effective date is the type of agency action that is ordinarily subject to the notice and comment procedure. *Council of Southern Mountains, Inc. v. Donovan*, 653 F.2d 573, 580 (D.C. Cir. 1981). *National Resources Defense Council, Inc. v. E.P.A.*, 683 F.2d 752 (3d Cir. 1982). This proposed extension would be consistent with alternative provisions previously considered in the agency's regulatory flexibility analysis to minimize the economic impact on small businesses while still accomplishing the stated objectives of the sodium labeling regulation.

List of Subjects in 21 CFR Part 101

Food labeling, Misbranding, Nutrition labeling, Warning statements.

PART 101—FOOD LABELING

§ 101.9 [Amended]

Therefore, under the Federal Food, Drug, and Cosmetic Act (secs. 201(n), 403, 701(a), 52 Stat. 1040–1042 as amended 1047–1048 as amended, 1055 (21 U.S.C. 321(n), 343, 371(a))) and under authority delegated to the Commissioner of Food and Drugs (21 CFR 5.10), it is proposed that the effective date of paragraph (c)(8)(i) of § 101.9 *Nutrition labeling of foods* be extended until July 1, 1986.

Interested persons may, on or before May 20, 1985 submit to the Dockets Management Branch (address above) written comments regarding this proposal. Two copies of any comments are to be submitted, except that individuals may submit one copy. Comments are to be identified with the docket number found in brackets in the heading of this document. Received comments may be seen in the office above between 9 a.m. and 4 p.m., Monday through Friday.

Dated: April 15, 1985.

Joseph P. Hile,

Associate Commissioner for Regulatory Affairs.

[FR Doc. 85-9435 Filed 4-16-85; 10:39 am]

BILLING CODE 4160-01-M

DEPARTMENT OF TRANSPORTATION

Coast Guard

33 CFR Part 100

[CGD 3-85-05]

Regatta; O.P.A. Classic, Barnegat Bay, NJ

AGENCY: Coast Guard, DOT.

ACTION: Notice of proposed rule making.

SUMMARY: The Coast Guard is considering a proposal to establish Special Local Regulations for the Annual Offshore Performance Association (O.P.A.) Classic. The purpose of this regulation is to provide for the safety of participants and spectators on navigable waters during this powerboat race event.

DATES: Comments must be received on or before June 3, 1985.

ADDRESSES: Comments should be mailed to Commander (b), Third Coast Guard District, Governors Island, New York, NY 10004. The comments will be available for inspection and copying at the Boating Safety Office, Building 110, Governors Island, New York, NY. Normal office hours are between 8:00 a.m. and 4:30 p.m., Monday through Friday, except holidays. Comments may also be hand-delivered to this address.

FOR FURTHER INFORMATION CONTACT: Lt. D.R. Cilley, (212) 668-7974.

SUPPLEMENTARY INFORMATION: Interested persons are invited to participate in this proposed rule making by submitting written views, data, or arguments. Persons submitting comments should include their names and addresses, identify this notice (CGD3 85-05) and the specific section of the proposal to which their comments apply, and give reasons for each comment. Receipt of comments will be acknowledged if a stamped, self-addressed postcard or envelope is enclosed. The rules may be changed in light of comments received. All comments received before the expiration of the comments period will be considered before final action is taken on this proposal. No public hearing is planned, but one may be held if written requests for a hearing are received and it is determined that the opportunity to make oral presentations will aid the rulemaking process.

Drafting Information

The drafters of this notice are Lt. D.R. Cilley, Project Officer, Boating Safety Office, and Ms. MaryAnn Arisman, Project Attorney, Third Coast Guard District Legal Office.

Discussion of Proposed Regulations

The Annual O.P.A. Classic is a powerboat race sponsored by the Offshore Performance Association held on Barnegat Bay, New Jersey. This event is traditionally held each year on the second Saturday in June. Because of the annual nature of this event the Coast Guard proposes to promulgate a permanent amendment to Part 100 of Title 33, U.S. Code of Federal Regulations and thereafter provide the public with full and adequate notice of this annual powerboat race by publication in the Third District Local Notice to Mariners. There will be one (1), 4 lap, 80 miles National Powerboat Association (N.P.B.A.) sanctioned race. The course has been laid out so that there should be little or no interference with vessel traffic in the Intercoastal Waterway (I.C.W.). The sponsor is providing in excess of 40 patrol vessels in conjunction with Coast Guard and local resources to patrol this event. In order to provide for the safety of life and property, the Coast Guard will restrict vessel movement in the race course area and will establish spectator anchorages for the spectator fleet. Mariners are urged to use extreme caution when transiting the area due to the large number of spectator craft, and should adhere closely to the charted I.C.W.

Economic Assessment and Certification

This proposed regulation is considered to be non-major under Executive Order 12291 on Federal Regulation and nonsignificant under Department of Transportation regulatory policies and procedures (44 FR 11034, February 26, 1979). The economic impact of this proposal is expected to be so minimal that a full regulatory evaluation is unnecessary. This event will draw a large number of spectator craft into the area for the duration of the race. This should have a favorable impact on commercial facilities providing services to the spectators. This area is used primarily by recreational boaters, any impact on commercial traffic in the area will be negligible.

Drafting Information

The principal author of this document was Larry L. Burton, Regulations Control Branch, Office of Regulations and Rulings, U.S. Customs Service. However, personnel from other Customs offices participated in its development.

List of Subjects in 19 CFR Part 4

Customs duties and inspection, Imports.

Amendments to the Regulations

PART 4—VESSELS IN FOREIGN AND DOMESTIC TRADES

1. The authority citation for Part 4, Customs Regulations (19 CFR Part 4), continues to read as follows:

Authority:

5 U.S.C. 301; 19 U.S.C. 66, 1624; 46 U.S.C. 3, 2103;
§ 4.1 also issued under 46 U.S.C. 103;
§ 4.2 also issued under 19 U.S.C. 1433, 1441, 1486;
§ 4.3 also issued under 19 U.S.C. 288, 1434, 1435, 1441, 46 U.S.C. 111;
§ 4.5 also issued under 19 U.S.C. 1141;
§ 4.6 also issued under 19 U.S.C. 1585;
§ 4.7 also issued under 19 U.S.C. 1431, 1439, 1465, 1581(a), 1583, 46 U.S.C. 883a, 883b;
§ 4.7a also issued under 19 U.S.C. 1431, 1432, 1439, 1465, 1498, 1584, 46 U.S.C. 874;
§ 4.8 also issued under 19 U.S.C. 1446, 1486;
§ 4.9 also issued under 19 U.S.C. 1434, 1435, 42 U.S.C. 269, 46 U.S.C. 677;
§ 4.10 also issued under 19 U.S.C. 1448, 1451;
§ 4.12 also issued under 19 U.S.C. 1440, 1584;
§ 4.14 also issued under 19 U.S.C. 1466, 1498;
§ 4.15 also issued under 46 U.S.C. 310;
§ 4.16 also issued under 19 U.S.C. 1435b;
§ 4.20 also issued under 46 U.S.C. 77, 81, 83–83k, 121, 128, 8103;
§ 4.21 also issued under 19 U.S.C. 1441; 46 U.S.C. 121–125, 128, 129, 132, 135;
§ 4.22 also issued under 46 U.S.C. 121, 128, 141;
§ 4.24 also issued under 46 U.S.C. 2108;
§ 4.30 also issued under 19 U.S.C. 288, 1446, 1448, 1450–1454, 1490;
§ 4.31 also issued under 19 U.S.C. 1453, 1586;
§ 4.32 also issued under 19 U.S.C. 1449;
§ 4.35 also issued under 19 U.S.C. 1447;
§ 4.36 also issued under 19 U.S.C. 1431, 1457, 1458; 46 U.S.C. 108;
§ 4.37 also issued under 19 U.S.C. 1446, 1457, 1490;
§ 4.38 also issued under 19 U.S.C. 1448, 1506;
§ 4.39 also issued under 19 U.S.C. 1432, 1448;
§ 4.40 also issued under 19 U.S.C. 1446;
§ 4.50 also issued under 19 U.S.C. 1431;
§ 4.65a also issued under 46 U.S.C. 86–86i, 88–88g;
§ 4.66 also issued under 46 U.S.C. 91;
§ 4.66a also issued under 33 U.S.C. 1321, 46 U.S.C. 91;
§ 4.66b also issued under 33 U.S.C. 407, 1321;
§ 4.68 also issued under 46 U.S.C. 874, 817d, 817e;
§ 4.74 also issued under 46 U.S.C. 91;
§ 4.75 also issued under 46 U.S.C. 91;
§ 4.80 also issued under 46 U.S.C. 13, 251, 289, 319, 802, 808, 883, 883–1;
§ 4.81 also issued under 19 U.S.C. 1433, 1439, 1442, 1443, 1444, 1486; 46 U.S.C. 251, 313, 314, 883;
§ 4.81a also issued under 46 U.S.C. 883;
§ 4.82 also issued under 19 U.S.C. 293, 294; 46 U.S.C. 123;
§ 4.83 also issued under 46 U.S.C. 91, 121, 123;
§ 4.84 also issued under 19 U.S.C. 1433, 1436, 1437; 46 U.S.C. 91, 313, 314, 883–1;
§ 4.85 also issued under 19 U.S.C. 1439, 1442, 1443, 1444, 1623;
§ 4.86 also issued under 19 U.S.C. 1442, 1443, 1444;
§ 4.88 also issued under 19 U.S.C. 1442, 1622, 1623;
§ 4.93 also issued under 19 U.S.C. 1322(a), 46 U.S.C. 883;
§ 4.94 also issued under 19 U.S.C. 1432, 1434, 1435, 1441, 46 U.S.C. 91, 104, 313, 314;
§ 4.98 also issued under 31 U.S.C. 9701;
§ 4.100 also issued under 19 U.S.C. 1706.

2. Section 4.80a is revised to read as follows:

§ 4.80a Coastwise transportation of passengers.

(a) For the purposes of this section, the following terms will have the meaning set forth below:

(1) *Coastwise port* means a port in the U.S., its territories, or possessions embraced within the coastwise laws.

(2) *Nearby foreign port* means any foreign port in North America, Central America, the West Indies (including the Bahama Islands, but not including the Leeward Islands of the Netherlands Antilles, i.e., Aruba, Bonaire, and Curacao). A port in the U.S. Virgin Islands shall be treated as a nearby foreign port.

(3) *Distant foreign port* means any foreign port that is not a nearby port.

(4) *Embark* means a passenger boarding a vessel for the duration of a specific voyage and *disembark* means a passenger leaving a vessel at the conclusion of a specific voyage. The terms *embark* and *disembark* are not applicable to a passenger going ashore temporarily at a coastwise port who reboards the vessel and departs with it on sailing from the port.

(5) *Passenger* has the meaning defined in § 4.50(b).

(b) The applicability of the coastwise law (46 U.S.C. 289) to a vessel not qualified to engage in the coastwise trade (i.e., either a foreign-flag vessel or a U.S.-flag vessel that is foreign-built or at one time has been under foreign-flag) which embarks a passenger at a coastwise port is as follows:

(1) If the passenger is on a voyage solely to one or more coastwise ports and the passenger disembarks or goes ashore temporarily at a coastwise port, there is a violation of the coastwise law.

(2) If the passenger is on a voyage to one or more coastwise ports and a nearby foreign port or ports (but at no other foreign port) and the passenger disembarks at a coastwise port other than the port of embarkation, there is violation of the coastwise law.

(3) If the passenger is on a voyage one or more coastwise ports and a distant foreign port or ports (whether not the voyage includes a nearby fore port or ports) and the passenger disembarks at a coastwise port, there no violation of the coastwise law provided the passenger has procee with the vessel to a distant foreign po

(c) An exception to the prohibition this section is the transportation of passengers between ports in Puerto R and other ports in the U.S. on passeng vessels not qualified to engage in the coastwise trade. Such transportation permitted until there is a finding unde 46 U.S.C. 289c that a qualified U.S.-fla passenger vessel is available for such service.

(d) The owner or charterer of a forei vessel or any other interested person may request from Headquarters, U.S. Customs Service, Attention: Carrier Rulings Branch, an advisory ruling as whether a contemplated voyage woul be considered to be coastwise transportation in violation of 46 U.S.C. 289. Such a request shall be filed in accordance with the provisions of Part 177, Customs Regulations (19 CFR Part 177).

William Von Raab,
Commissioner of Customs.

Approved: June 13, 1985.

John M. Walker, Jr.,
Assistant Secretary of the Treasury.

[FR Doc. 85-15753 Filed 6-28-85; 8:45 am]

BILLING CODE 4820-02-M

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 101

[Docket No. 80N-0314]

Food Labeling; Declaration of Sodium Content of Foods and Label Claims fo Foods on the Basis of Sodium Content; Extension of Effective Date

AGENCY: Food and Drug Administration.

ACTION: Final rule; extension of effectiv date.

SUMMARY: The Food and Drug Administration (FDA) is extending the effective date for compliance with food labeling regulations requiring declaration of sodium content as part of nutrition labeling for all affected

products initially introduced or initially delivered for introduction into interstate commerce. This document extends the effective date from July 1, 1985, until July 1, 1986.

EFFECTIVE DATE: The requirement to include sodium content information in nutrition labeling is effective July 1, 1986.

FOR FURTHER INFORMATION CONTACT: Scott F. Andres, Center for Food Safety and Applied Nutrition (HFF-204), Food and Drug Administration, 200 C St. SW., Washington, DC 20204, 202-245-3117.

SUPPLEMENTARY INFORMATION: In the Federal Register of April 18, 1984 (49 FR 15510) as amended June 28, 1984 (49 FR 26571), FDA published a final regulation amending 21 CFR 101.9(c) to require that the sodium content of foods be included in nutrition labeling information whenever nutrition labeling appears on food labels. The effective date for compliance with this provision of the sodium labeling regulation was July 1, 1985, for all affected products initially introduced or initially delivered for introduction into interstate commerce on or after that date.

Subsequent to the publication of the final regulation, FDA received from a national trade organization representing the soft drink industry a petition for reconsideration, as well as a number of requests from other members of the food industry for extensions of the effective date, in order to use up label stocks of slow-moving items which will not be depleted by the July 1, 1985, deadline. Additional information, submitted with these requests indicated that there probably would be an increase in costs to consumers if existing label inventories for slow-moving products could not be used after July 1, 1985. Consequently, FDA reconsidered its previous position and proposed in the Federal Register of April 18, 1985 (50 FR 15458) an extension of the effective date for a period of 1 year until July 1, 1986.

Comments responding to the proposed extension were received from trade associations; supermarket chains; food manufacturers and processors, including canners and packagers; food cooperatives and sales organizations; several consumers; a local government representative; a health professional; and a consumer-interest group.

With one exception, comments received from the food industry favored the proposed 1-year extension. These comments indicated that labels of high-volume items were either already in compliance or would be in compliance with the sodium labeling regulations by July 1, 1985, and that labels of slower-moving items would be brought into compliance during the next printing cycles. The majority of these comments included projected cost estimates of losses to industry if large numbers of these nonconforming labels of slower-moving items had to be destroyed on July 1, 1985. Most manufacturers indicated that these costs would ultimately be passed on to consumers. Sales below projected levels coupled with the necessity to order in advance the large minimum quantities of labels required by label companies were cited as major reasons for accumulating large label inventories. Other comments noted problems with printing companies and delays in obtaining analytical data as reasons for not being able to comply with the July 1, 1985, deadline.

A summary of the comments opposing the proposed extension and the agency's responses are as follows:

1. One food manufacturer was concerned that the proposed extension would place its sodium-labeled products at a competitive disadvantage with other products on the same shelf having no sodium labeling. The comment indicated that, because of company efforts to comply with the July 1, 1985, deadline, the labels of nearly 85 percent of the firm's packaged products already contained sodium content information. The comment speculated that competitors' products having no sodium labeling would be perceived by consumers to contain no sodium and suggested that FDA institute a consumer awareness program to inform individuals of this situation.

The agency disagrees with the comment. Although products that are not sodium labeled could be perceived by some consumers to contain no sodium, most of the comments received by FDA in response to the proposed sodium labeling regulation indicated that the opposite is true. Several consumers believed that the regulated industry would not voluntarily disclose sodium content information of labels of products containing substantial amounts of sodium because that information would have a negative impact. In fact, these comments suggested that manufacturers would voluntarily label only those foods that had low sodium contents. Patients on sodium-restricted diets as well as members of the general population who wish to limit their sodium intake said that they preferred those products having sodium content information over those not so labeled. FDA has repeatedly stressed that label information about the amount of sodium in a specific quantity of food will enable the consumer to judge the overall contribution of that particular food in the daily diet and to maintain his or her total daily sodium intake at desired levels.

2. Comments received from several consumers, a local government representative, and a health professional expressed concern about potential adverse health consequences resulting from an extension of the effective date. One of the consumers contended that a delay in sodium labeling might lead to reluctance on the part of the food industry to continue to develop lower sodium products.

The agency does not believe that a 1-year extension of the effective date will have an adverse impact of the health of individuals who are monitoring their daily sodium intake. Data obtained from FDA surveys indicate that there is already a widespered appearance of sodium labeling throughout the food supply. The most recent Food Label and Package Survey (FLAPS) conducted in 1984 revealed that the labels of foods accounting for nearly 40 percent of grocery sales of FDA-regulated packaged-processed foods included quantitative sodium content information. Furthermore, 53 of 58 processed food groups included in the FLAPS survey have some products with quantitative sodium labeling. These figures indicate that even in mid-1984 consumers could make selections from a wide variety of sodium-labeled foods to maintain total daily sodium intake at desired levels. In addition, recent comments submitted by the food industry in support of the proposed extension indicate that many labels not included in the 1984 FLAPS estimates will be in compliance with the sodium labeling regulation by July 1, 1985.

The agency also disagrees that a 1-year delay would preclude further efforts by the food industry to lower the sodium content of processed foods. Although this is a considerably more difficult area in which to obtain meaningful measurements of progress than is sodium labeling, FDA has several indications that industry is gradually making significant reductions in sodium content. For example, a substantial decrease in the tonnage of salt produced for table and food-processing use has been reported; the sodium content of many canned soups has been reduced; and many new sodium-modified products, which offer consumers more choices between conventional and sodium-modified foods, have been and continue to be introduced in to the marketplace. FDA encourages manufacturers to accelerate the development of sodium-modified foods, in order to coordinate product introduction with required label changes.

The role of the public, however, cannot be underestimate in bringing about reductions of sodium levels of processed foods. If the public actively expresses its concern in this area by purchasing foods with lower sodium content or those that bear sodium labeling, then industry will respond by making more such products available. In any event, the total daily sodium intake from a variety of foods in the individual diet is what is important from a health standpoint. Therefore, even if further introductions of sodium-modified products were delayed, this extension would not have an adverse impact on the health of individuals who are monitoring their daily sodium intake.

3. A comment from a consumer organization contended that the proposal to extend the effective date is inconsistent with FDA representations made to the court in *Center for Science in the Public Interest* v. *Novitch* (Civil No. 83–801 (D.D.C. June 11, 1984)). That case involved a challenge to the agency's denial of a petition requesting mandatory sodium labeling on all FDA-regulated packaged, processed foods. The comment argued further that the proposed extension would undermine the foundation of the court's decision that the agency acted reasonably when it denied that petition. The comment suggested that the case was decided largely on the basis of agency representations that the sodium labeling regulation would become effective on July 1, 1985.

The agency disagrees with the comment's interpretation of the court's decision. The court held (slip op. at 19) that FDA had "carefully considered the Center for Science in the Public Interest's petition and made a rational decision that a voluntary labeling program was the most appropriate course of action at the present time." The court further stated that "The FDA should be given the opportunity to * * * determine if food manufacturers will provide sodium content labeling * * * voluntarily." *Id.* This extension of the effective date does not change the provisions of the final sodium labeling regulation nor the rationale for pursuing this course of action that FDA explained in its final regulation and that the court accepted. Furthermore, in granting this extension, the agency has relied on industry claims that labels of most higher-volume items will be in compliance with the sodium labeling regulation before July 1, 1985. FDA, as stated in the proposal, fully expects manufacturers to bring their labels into compliance as soon as possible but no later than July 1, 1986.

4. One comment suggested that the proposed extension of the effective date was based largely on concerns about increased costs to industry. One comment argued that FDA is being inconsistent with its conclusions in the final regulation on sodium labeling that the period remaining between the promulgation of the final regulation and July 1, 1985, would be sufficient for most manufacturers to exhaust existing inventories of noncomplying labels and to phase in required label changes.

In both the proposed and final regulation, FDA announced that it would consider a number of options for minimizing adverse economic effects. As discussed above, FDA received a large number of requests for extension of time to comply with the final regulation. Although FDA did not fully evaluate each request on its merits, the agency has determined that most labels for which an extension was requested were for items that represent a small fraction of products available in the marketplace. Finally, FDA is relying on manufacturers' assurances that the labels of higher-volume items will be in compliance by July 1, 1985. Therefore, FDA believes that it is appropriate to grant a blanket 1-year extension to July 1, 1986. Again, as stated in paragraph 3, the agency is granting the exemption with the understanding that the food industry will strive to include sodium in nutrition labeling as soon as possible.

5. One comment expressed concern that the proposed extension "sets a dangerous precedent whereby an industry need only inundate the agency with requests for exemptions in order to achieve postponement of a rule it opposes." The comment also contended that the purported administrative burden on FDA was unclear in view of the fact that the agency had already reviewed the extension requests in enough detail to determine that many were warranted.

FDA proposed to extend the effective date of the sodium labeling regulation only after the agency had determined that the objectives of the regulation would still be accomplished and that sodium labeled foods would be available for most food categories and not, as suggested by the comment, because the agency was inundated by requests from industry. Further, the agency would not have proposed a blanket extension nor have previously indicated its willingness to consider individual requests for extensions if it believed that such actions would adversely affect the public health. In addition, FDA has not evaluated the merits of each of the individual reques for extensions as the comment alleges. Because so many requests were submitted, however, the agency has concluded that the time required to review these labels one at a time in order to determine whether each individual extension was justified wou adversely affect the allocation of agenc resources. The agency therefore decide that an extension to allow manufacturers sufficient time to bring labels of slow-moving items into compliance without destroying existing inventories of noncomplying labels will ease the cost of transition with no adverse impact on the public health objectives of the regulation.

6. One comment expressed the belief that there was no basis for the agency t anticipate additional extension requests because most manufacturers would have already attempted to secure extensions in time to comply with the regulation if the effective date remained unchanged.

FDA disagrees with this comment. The majority of requests documented steps that the manufacturers had taken subsequent to the publication of the final regulation to ensure compliance by July 1, 1985. However, some manufacturers indicated that they were not able to estimate projected losses resulting from destruction of existing inventories of noncomplying labels of slow-moving items until sales data were evaluated for 1984. Manufacturers also indicated that most of these noncomplying labels were ordered before April 1984. Several requests and inquiries from other firms indicated that more labels would be submitted for consideration after additional estimates of potential economic losses had been completed. It is for these reasons that FDA concluded that there is a basis for anticipating additional extension requests and that a blanket 1-year extension is appropriate.

7. One comment argued that the proposed extension is "especially arbitrary" because a less drastic alternative to a blanket extension exists. The comment noted that only 66 companies had requested extensions and that "the products manufactured by these companies represent only a minute portion of the total number of products available in an average grocery store." Furthermore, the comment declared that FDA's apparent concern about manufacturers who cannot deplete existing noncomplying label inventories before July 1, 1985, cannot be used as a basis to justify exempting the overwhelming majority of producers

who can comply with the original effective date. The comment proposed an alternative approach in which FDA would retain the original effective date and would grant extensions only to those companies who have already attested to the fact that their current label inventories cannot be depleted before July 1, 1985. The comment contends that this alternative would not require numerous case-by-case determinations.

The agency believes that the limited extension proposed in this comment could discriminate against those manufacturers who elected to withhold their requests for extension once the proposed extension had been published by the agency in the Federal Register. FDA is aware of several manufacturers of slow-moving items who had only recently completed their estimates of potential economic losses and who decided to forego their formal submissions of written requests after the proposed general extension was published. If a blanket extension had not been proposed, only those submitting written requests and supporting data in response to statements regarding possible alternatives to minimize economic burden contained in the proposed and final regulation would have received consideration by the agency. The limited extension proposed in this comment would not accomplish the objective of minimizing economic impact on small businesses if FDA were to exclude from consideration for an extension those manufacturers who elected to withhold their requests pending final agency action on the proposed blanket extension.

8. One comment suggested that the proposed blanket extension of the effective date would reduce the original projected extent of sodium labeling by at least 35 percent. According to the comment, the blanket extension would thus produce a substantial, rather than a marginal, reduction in the projected availability of sodium-labeled food.

The agency disagrees with the comment. The most recent FLAPS survey, which revealed that quantitative sodium information appears on the lables of foods accounting for nearly 40 percent of grocery sales of FDA-regulated packaged-processed foods, analyzed the labels of products collected in supermarkets between February and July 1984. This estimated figure must be viewed as conservative in light of continuing changes in the marketplace and because the originally announced effective date of the regulation was still 1 year away. New sodium-modified products whose sales potentials were not yet known have entered the marketplace since July 1984 and were not included in the FLAPS survey. This comment also assumes that manufacturers will delay sodium labeling until July 1, 1986. On the contrary, FDA has been assured by manufacturers that this will not be the case. The agency has also announced that it expects labels of slow-moving items to be brought into compliance as soon as possible and no later than July 1, 1986.

FDA again emphasizes that the availability of sodium labeled foods in individual food categories is more significant to the consumer on a sodium-restricted diet than is the extent of sodium labeling determined as a percentage of overall retail grocery sales.

FDA has reviewed the comments received and continues to believe that the most reasonable course to follow is to grant an extension of the effective date for compliance with the mandatory provisions of the sodium labeling regulation until July 1, 1986.

List of Subjects in 21 CFR Part 101

Food labeling, Misbranding, Nutrition labeling, Warning statements.

PART 101—FOOD LABELING

Therefore, under the Federal Food, Drug, and Cosmetic Act (secs. 201(n), 403, 701(a), 52 Stat. 1040–1042 as amended, 1047–1048 as amended, 1055 (21 U.S.C. 321(n), 343, 371(a))) and under authority delegated to the Commissioner of Food and Drugs (21 CFR 5.10), the effective date for compliance with paragraph (c)(8)(i) of § 101.9 *Nutrition labeling of foods* is extended to July 1, 1986.

Dated: June 26, 1985.

Joseph P. Hile,

Associate Commissioner for Regulatory Affairs.

[FR Doc. 85-15791 Filed 6-27-85; 11:22 am]

BILLING CODE 4160-01-M

DEPARTMENT OF THE TREASURY

Office of Revenue Sharing

31 CFR Part 51

Financial Assistance to Local Governments

AGENCY: Office of Revenue Sharing, Treasury.

ACTION: Final rule; correction.

SUMMARY: This document corrects the final rule concerning financial assistance to local governments published in the Federal Register on Thursday, January 24, 1985, at 50 FR 3454.

FOR FURTHER INFORMATION CONTACT: Richard S. Isen, Chief Counsel, Office of Revenue Sharing, or Jacqueline L. Jackson, Attorney Advisor. Telephone: (202) 634-5182.

SUPPLEMENTARY INFORMATION: Accordingly, corrections are made in FR Doc. 85-1524 beginning on page 3454 in the issue of January 24, 1985, as follows:

(1) On page 3484, first column, first line, the word "Review" should read "Revenue."

(2) On page 3487, first column, no. 2 "Local statutes or ordinances. Age limitations on concurring alcoholic beverages or possessing firearms are not covered by the Act so long as these are adopted by an elected general purposes legislative body" should read as follows:

"(2) *State statutes*. Statutes setting age limitations on obtaining a driver's license or fixing age limits for compulsory school attendance are not covered by the Act."

Dated: June 25, 1985.

Richard S. Isen,

Chief Counsel, Office of Revenue Sharing.

[FR Doc. 85-15690 Filed 6-28-85; 8:45 am]

BILLING CODE 4810-30-M

OFFICE OF THE FEDERAL REGISTER

32 CFR Parts 1-39

41 CFR Chs. 1-49

CFR Publication Announcement Relating to Federal Procurement Regulations and Defense Acquisition Regulations

Editorial Note: On September 19, 1983 (48 FR 42103), a joint document issued by the General Services Administration, the Department of Defense and the National Aeronautics and Space Administration, established a new Federal Acquisition Regulation in Title 48 of the Code of Federal Regulations (CFR). The general Federal Acquisition Regulation (FAR) published on that date is codified at Chapter 1 of Title 48. Chapters 2 through 49 of Title 48 were reserved and established for individual agency implementations and supplementations of the FAR. The FAR in Chapter 1 together with the agency regulations in Chapters 2 to 49 comprise the Federal Acquisition Regulations System that went into effect on April 1, 1984.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 101

[Docket No. 84N-0103]

Food Labeling; Proposed Rule Concerning Sulfiting Agents

AGENCY: Food and Drug Administration.

ACTION: Proposed rule.

SUMMARY: The Food and Drug Administration (FDA) is proposing a regulation that will clarify the circumstances in which the presence of sulfiting agents (also referred to as "sulfites") must be declared on the label of foods. Sulfiting agents (sulfur dioxide, sodium sulfite, and sodium or potassium bisulfite or metabisulfite) are usually added to foods for their preservative effect. The proposed regulation makes clear that when a sulfite that is added either to a food or to one of its ingredients is detectable in the finished food, it is present in that food at a significant level. In such circumstances, the sulfite is not an incidental additive and must be declared on the label. The proposed regulation also makes clear the level of sulfites that the agency considers to be detectable.

DATES: Comments by June 3, 1985. The agency proposes that any final rule based on this proposal become effective 6 months after the date of publication of the final rule.

ADDRESS: Written comments to the Dockets Management Branch (HFA-305), Food and Drug Administration, Rm. 4-62, 5600 Fishers Lane, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Howard Pippin, Center for Food Safety and Applied Nutrition (HFF-312), Food and Drug Administration, 200 C St. SW., Washington, DC 20204, 202-485-0175.

SUPPLEMENTARY INFORMATION: Recent scientific developments have shown that sulfiting agents can cause reactions in a significant portion of the population. As a result of these developments, FDA has taken several actions with regard to the use of sulfites in food. On March 4, 1983, the agency issued an interpretation for the Retail Food Protection Program Information Manual concerning the use of sulfiting agents in restaurants. The interpretation stated that "fruits and vegetables or other foods for raw consumption to which the retail operator has added sulfiting agents without advising consumers are to be considered unsafe." FDA also is forming an Ad Hoc Advisory Committee on Hypersensitivity to Sulfiting Agents in Food to review and to evaluate available data on adverse reactions in humans associated with the use of sulfiting agents in food (49 FR 15021; April 16, 1984). In addition, FDA has reviewed its regulations to determine whether they are adequate to ensure that the labeling of a food will advise consumers that a sulfiting agent has been added to that food. This document announces the outcome of that review.

Finally, the agency has asked the Federation of American Societies for Experimental Biology to review currently available evidence that indicates that the use of sulfiting agents has increased (49 FR 27994; July 9, 1984).

Several statutory and regulatory provisions are relevant to this review. Section 403(i)(2) of the Federal Food, Drug, and Cosmetic Act (the act) (21 U.S.C. 343(i)(2)) requires the declaration of the ingredients of nonstandardized foods. Section 402(g)(2) of the act requires that the labeling of foods that are subject to a standard of identity list any optional ingredients that have been used. Section 101.100(a)(3) of FDA's regulations (21 CFR 101.100(a)(3)) creates an exception from these declaration requirements for incidental additives. Incidental additives are substances that are present in a food at insignificant levels and that do not have any functional or technical effect in that food.

The agency has concluded that it would be impractical to list all such substances (38 FR 20704, 20705; August 2, 1973) and thus does not require that they be declared on the label. Finally, section 403(k) of the act states that a food that bears or contains a chemical preservative will be deemed to be misbranded unless the presence of the preservative is declared on the label.

FDA's regulations thus require that sulfiting agents be declared on the label when:

1. They are used as chemical preservatives; or
2. They are used in food as other than incidental additives.

A problem has developed in recent years with regard to the use of sulfiting agents and to when they are exempt from label declaration under 21 CFR 101.100(a)(3). Some manufacturers have incorrectly interpreted what constitutes an insignificant level of a sulfiting agent. This development is of concern to the agency because sulfites have been shown to cause reactions in sensitive individuals, particularly asthmatics, even when ingested at very low levels.

The agency has conducted a computer update of the scientific literature on sulfiting agents from 1975 to the present. FDA has reviewed the abstracts and has evaluated those references that are particularly pertinent. These references, listed at the end of the preamble to this proposal, are available at the Dockets Management Branch (address above).

The agency concludes that the scientific data on human sensitivity to sulfiting agents establish that certain sensitive individuals, asthmatics in particular, can react to ingested sulfiting agents. Estimates of the number of asthmatic individuals at risk range from 450,000 to one million. The clinical studies conducted by Simon and Stevenson (Refs. 1 through 4) suggest that 5 percent of 9 million asthmatics, or some 450,000 individuals, may be sensitive to sulfiting agents. This approximates the 6 percent that Freedman suggested in his study of 272 asthmatics (Ref. 5). No estimate of the number of nonasthmatic, healthy individuals that may be at risk is available. The agency notes, however, that nonasthmatics were involved in several of the complaints of reactions to sulfiting agents that it has received and investigated, and four of the individuals described in the published medical case reports are nonasthmatic.

Thus, sulfiting agents have been shown to produce allergic-type responses in humans, and the presence of these ingredients in food may have serious health implications for those persons who are intolerant of sulfites. Including the sulfiting agents in the list of ingredients in the label of a food will alert susceptible persons to their presence in that food. Persons who know they are intolerant of sulfites are likely to be selective in the types of food that they use. Thus, an appropriate label declaration will enable those persons to avoid the potential hazard of an allergic-type reaction to a sulfiting agent by reading the label. Accordingly, a label declaration of sulfites in food will enable persons intolerant to sulfites to minimize their exposure to these ingredients.

To assure that manufacturers fully understand the circumstances in which sulfites must be declared, and to assure that sensitive individuals are protected by appropriate labeling, FDA has determined that it is necessary to clarify its labeling regulations. The proposed clarifying provision (§ 101.100(a)(4)) states that a sulfiting agent that has been added to any food or to any ingredient in any food will be considered to have been used as an incidental additive and, thus, exempt from labeling requirements under § 101.100(a)(3), only if no detectable amount of the sulfite remains in the finished food. The agency is proposing to find that any detectable amount of a sulfiting agent is significant for labeling purposes because FDA is unaware of any evidence that establishes a level below which these substances will not cause a reaction in sensitive individuals. Thus, the agency has tentatively concluded that the only way it can assure that sensitive individuals are given adequate notice of the presence of a sulfiting agent is by requiring a label declaration when the sulfiting agent is present in a detectable amount.

The proposed provision defines "a detectable amount" as being 10 parts per million or more. This amount represents the lowest level at which sulfites can be detected using currently available methods.

FDA proposes that this regulation become effective 6 months after publication of the final rule rather than on the next uniform effective date for compliance with new food labeling requirements that is periodically announced. Thus, the agency proposes that by 6 months after the date of publication of any final regulation, all finished foods that are initially introduced or initially delivered for introduction into interstate commerce and that contain a detectable amount of a sulfiting agent must bear labeling that declares the presence of the sulfiting agent. The agency recognizes that, even though it is only a clarification, this regulation will require many manufacturers who currently do not declare sulfites on the labels of their products to revise their labels. Nonetheless, FDA is proposing the 6-month effective date because information about the presence of sulfiting agents is not merely informative but is necessary to protect the health of sensitive individuals. On the basis of its experience, the agency believes that 6 months is an adequate amount of time for manufacturers to change their labeling. The agency urges manufacturers and distributors, however, to declare sulfiting agents on their labels as soon as possible.

The agency has determined pursuant to 21 CFR 25.24(d)(6) (proposed December 11, 1979; 44 FR 71742) that this proposed action is of a type that does not individually or cumulatively have a significant impact on the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is required.

This proposed regulation clarifies an existing regulatory requirement. Therefore, the proposed regulation should have no economic effect. However, because FDA recognizes that there has not been universal compliance with this requirement, the agency has examined, in accordance with Executive Order 12291, the economic consequences of requiring that sulfiting agents be declared on the label when present in food in a detectable amount as though this requirement were new. On the basis of available information, the agency has determined that this proposed regulation may impose one-time costs of $1.3 million. It, therefore, is not a major rule as defined by the Order.

Furthermore, FDA in accordance with the Regulatory Flexibility Act, has considered the effect that this proposal would have on small entities, including small businesses, and has concluded that the proposed regulation would require a label change resulting only in a minimal impact on any individual firm. Approximately 450 small firms may incur costs totalling about $300,000. It is unlikely that any small firms will bear excessive or unreasonable burdens as a result of this regulation. Therefore, FDA certifies in accordance with section 605(b) of the Regulatory Flexibility Act that no significant economic impact on a substantial number of small entities will be caused by this regulation.

Paperwork Reduction Act of 1980

Section 101.100(a)(4) of this proposed rule contains an information collection requirement. As required by section 3504(h) of the Paperwork Reduction Act of 1980, FDA has submitted a copy of this proposed rule to the Office of Management and Budget (OMB) for its review of the information collection requirement. Other organizations and individuals desiring to submit comments on the information collection requirement should direct them to FDA's Dockets Management Branch (address above) and to the Office of Information and Regulatory Affairs, OMB, New Executive Office Bldg., Rm. 3208, Washington, DC 20503, Attention: Bruce Artim.

References

A copy of the threshold assessment supporting these determinations and the following information have been placed on file in the Dockets Management Branch (address above) and may be seen by interested persons between 9 a.m. and 4 p.m., Monday through Friday.

1. Stevenson, D.D., and R.A. Simon, "Sensitivity to Ingested Metabisulfites in Asthmatic Subjects," *Journal of Allergy and Clinical Immunology*, 68:26–32, July 1981.

2. Simon, R.A., et al., "The Incidence of Ingested Metabisulfite Sensitivity in an Asthmatic Population," *Journal of Allergy and Clinical Immunology*, 69:118, January 1982.

3. Simon, R.A., written communication to FDA, February 8, 1983.

4. Stevenson, D.D., and R.A. Simon, Abstract No. 10, American Academy of Allergists Meeting, March 1981.

5. Freedman, B.J., "Asthma Induced by Sulfur Dioxide, Benzoate and Tartrazine Contained in Orange Drinks," *Clinical Allergy*, 7:407–415, 1977.

List of Subjects in 21 CFR Part 101

Food labeling, Misbranding, Nutrition labeling, Warning statements.

Therefore, under the Federal Food, Drug, and Cosmetic Act (secs. 403, 701(a), 52 Stat. 1047–1048 as amended, 1055 (21 U.S.C. 343, 371(a))) and under 21 CFR 5.11, it is proposed that § 101.100 be amended by adding new paragraph (a)(4) to read as follows:

PART 101—FOOD LABELING

§ 101.100 Food; exemptions from labeling.

(a) * * *

(4) Any sulfiting agent (sulfur dioxide, sodium sulfite, sodium bisulfite, potassium bisulfite, sodium metabisulfite, and potassium metabisulfite) that has been added to any food or to any ingredient in any food will be considered to be an incidental additive under paragraph (a)(3) of this section only if no detectable amount of the agent is present in the finished food. For the purpose of this paragraph (a)(4), a detectable amount of a sulfiting agent is 10 parts per million or more of the sulfite in the finished food when that food is analyzed using section 20.123–20.125, "Total Sulfurous Acid," in "Official Methods of Analysis of the Association of Official Analytical Chemists," 14th Ed. (1984), which is incorporated by reference. A copy is available from the Association of Official Analytical Chemists, P.O. Box 540, Benjamin Franklin Station, Washington, DC 20044, or available for inspection at the Office of the Federal Register, 1100 L St. NW., Washington, DC 20408.

* * * * *

Interested persons may, on or before June 3, 1985, submit to the Dockets Management Branch (address above) written comments regarding this proposal. Two copies of any comments are to be submitted, except that individuals may submit one copy. Comments are to be identified with the docket number found in brackets in the heading of this document. Received comments may be seen in the office above between 9 a.m. and 4 p.m., Monday through Friday.

Dated: March 2, 1985.

Frank E. Young,

Commissioner of Food and Drugs.

Margaret M. Heckler,

Secretary of Health and Human Services

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Part II

Department of Health and Human Services

Food and Drug Administration

21 CFR Part 182

Sulfiting Agents; Proposal To Revoke GRAS Status for Use on Fruits and Vegetables Intended To Be Served or Sold Raw to Consumers; Proposed Rule

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 182

[Docket No. 81N-0314]

Sulfiting Agents; Proposal To Revoke GRAS Status for Use on Fruits and Vegetables Intended To Be Served or Sold Raw to Consumers

AGENCY: Food and Drug Administration.

ACTION: Proposed rule.

SUMMARY: The Food and Drug Administration (FDA) is announcing that currently available information has raised significant questions about the safety of the use of sulfur dioxide, sodium sulfite, sodium and potassium bisulfite, and sodium and potassium metabisulfite (collectively known as sulfiting agents or sulfites) on fruits and vegetables intended to be served raw or sold raw to consumers. As a result of these questions, FDA believes that this use of sulfites can no longer be considered to be generally recognized as safe (GRAS). Therefore, FDA is proposing to amend the regulations on the sulfiting agents in 21 CFR Part 182 to except their use on fruits and vegetables intended to be served raw or sold raw to consumers or to be presented to consumers as fresh from the uses of these substances that are GRAS.

This proposed action is based upon FDA's review of new information on sulfiting agents received in response to a proposal to affirm the GRAS status of sulfiting agents published in the Federal Register of July 9, 1982 (47 FR 29956); the January 31, 1985, final report of the Federation of American Societies for Experimental Biology (FASEB) on the Reexamination of the GRAS Status of Sulfiting Agents; recently published reports in the medical literature; consumer complaints received by the agency; and other relevant information.

DATE: Comments by September 13, 1985.

ADDRESS: Written comments to the Dockets Management Branch (HFA-305), Food and Drug Administration, Rm. 4-62, 5600 Fishers Lane, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Gerad L. McCowin, Center for Food Safety and Applied Nutrition (HFF-330), Food and Drug Administration, 200 C St. SW., Washington, DC 20204, 202-472-5678.

SUPPLEMENTARY INFORMATION:

I. Background/Regulatory History

Sulfiting agents have a long history of use as food ingredients. Since November 20, 1959 (24 FR 9368), these food ingredients have been listed as GRAS for use as chemical preservatives.

In 1976, during the course of the agency's review of the safety of GRAS Substances (Ref. 1), the Select Committee on GRAS Substances (the Select Committee) of FASEB issued a report on the health aspects of the use of sulfiting agents as food ingredients (Ref. 2). Subsequently, in the Federal Register of July 9, 1982 (47 FR 29956), FDA proposed to affirm, with specific use limitations, the GRAS status of certain sulfiting agents (Ref. 3).

The agency received numerous comments on the 1982 proposal. Some comments reported new uses of the sulfiting agents, significant recent expansion of some old uses, widespread use by the food-service industry, and many uses that were unlabeled. Other comments reported the possibility that a significant number of individuals may experience potentially severe allergic-type responses upon consuming foods treated with sulfiting agents. The agency is using the term "allergic-type responses" to describe the various types of symptoms that individuals have suffered after eating sulfite-treated fresh fruits and vegetables that were served or sold raw. These responses in some ways resemble responses to an allergen. However, the scientific community is unsure at this time about the actual mechanism of response elicited by the sulfite ingredient.

The agency also received a citizen petition regarding the use of sulfiting agents in food and drugs. The petition echoed many of the concerns expressed in the comments and urged the agency to take certain regulatory actions to restrict the use of sulfites in food.

A number of the comments received, as well as portions of the citizen petition, are relevant to the specific action being proposed in this document. The agency's responses to these comments are included in this document.

The new information received in response to the 1982 proposal prompted the agency to ask FASEB to reexamine the GRAS status of the use of sulfiting agents. FASEB established an ad hoc Review Panel on the Reexamination of the GRAS Status of Sulfiting Agents (the Panel). On July 9, 1984 (49 FR 27994), FDA announced the formation of the Panel.

The Panel evaluated recent scientific publications and new information and data submitted to FDA in response to its 1982 proposal. The Panel supplemented this information with additional materials acquired independently, and conducted an open meeting on November 29, 1984, at which individuals and organizations presented their views on sulfite-related issues. On January 31, 1985, FASEB issued its final report (Ref. 4).

In that report, although the Panel concluded that for the majority of the population "there is no evidence * * * to suspect a hazard," the Panel also concluded that for the fraction of the public that is sulfite sensitive, "there is evidence * * * that demonstrates or suggests reasonable grounds to suspect a hazard of unpredictable severity to such individuals when they are exposed to sulfiting agents in some foods at levels that are now current and in the manner now practiced" (Ref. 4, p. 60).

Upon evaluation of available information, FDA concurs with the conclusions of the Panel and is currently assessing the use of sulfiting agents on foods.

In the Federal Register of April 3, 1985 (50 FR 13306), FDA published a proposal to require that all packaged foods that contain 10 parts per million (ppm) or more of sulfur dioxide equivalents must be labeled to disclose the presence of a sulfiting agent. If the agency adopts that proposal, sulfite-sensitive individuals will be able to avoid packaged food products to which they might be sensitive.

The agency believes, however, that labeling is not likely to be an effective means of protecting sulfite-sensitive individuals from certain sulfited foods, including fruits and vegetables that are served raw or sold raw to consumers in food-service establishments. Ingestion of these types of foods has been associated with rare but potentially life-threatening responses in asthmatic individuals.

Because of the acute health problems that have been associated with the use of sulfites on fresh fruits and vegetables sold in food-service establishments, FDA has decided to act immediately with regard to this use, before deciding whether to affirm the GRAS status of the other uses of sulfiting agents. In addition, because of these health problems, the agency is providing only 30 days for comments on this proposal instead of the customary 60 days.

In this document, FDA is announcing its preliminary conclusion that the use of sulfiting agents on fruits and vegetables intended to be served raw or sold raw to consumers is not GRAS. To reflect this preliminary conclusion, the agency is proposing to amend Part 182 (21 CFR Part 182).

If the agency confirms its preliminary conclusion, this use of sulfiting agents would constitute the use of an unapproved food additive. As a result, the use of sulfites on any fruit or vegetable that is intended to be served or sold raw would cause that fruit or vegetable to be adulterated and in violation of section 402(a)(2)(C) of the Federal Food, Drug, and Cosmetic Act (the Act) (21 U.S.C. 342(a)(2)(C)). The agency intends to address all other uses of sulfiting agents, including their use on potatoes and potato products, in the near future.

II. The use of Sulfiting Agents on Fruits and Vegetables

A. Purpose

Many raw foods, when exposed to the air, rapidly discolor or otherwise lose their natural, fresh appearance. For example, lettuce wilts and browns around the edges; cut apples become brown; avocado pulp turns black. Sulfiting agents are one type of chemical preservative that serves effectively to prevent or to delay the process of browning and deterioration of raw fruits and vegetables by acting as an antioxidant. Sulfites are used by restaurants to help maintain the fresh appearance of certain fruits and vegetables in salad bars. They are also used by some suppliers of produce that is intended for salad bar use or of vegetables that are intended for cooking. Although a number of substances such as citric acid, ascorbic acid, or sodium erythorbate could be used to maintain the freshness of raw fruits and vegetables, the primary commercial products sold for this use contain the various sulfite salts as their principal active ingredients.

Label directions for these products advise users to dissolve a specific amount of the product in water, to dip the food to be treated in this solution for a stated period of time, and to drain the food before refrigerating or cooking.

B. FDA's Concerns

FDA is concerned about the use of sulfiting agents on fruits and vegetables intended to be served raw or sold raw to consumers because of serious responses in sulfifte-sensitive individuals have been associated with this widespread use of sulfites on fresh fruits and vegetables and because such use is not commonly labeled so that sensitive individuals may avoid sulfite-treated foods. FDA's concerns extend to fruits and vegetables that may have undergone physical processing before sale, such as guacomole made from mashed avocado, and to raw fruits and vegetables that, to the consumer, appear to be fresh but that may have been processed in some way (e.g., freezing). Restaurant consumers of raw fruits and vegetables that have the appearance of freshness do not generally expect such foods to contain preservatives, and these foods are rarely labeled. Similarly, raw fruits and vegetables sold in grocery stores are not usually labeled, and consumers do not associate them with the presence of preservatives such as sulfiting agents.

FDA is also aware of a number of recent trends and practices that raise concern because they contribute to the likelihood of greater exposure to sulfites in the American diets. More Americans are eating a greater proportion of their meals away from home. One trend of considerable importance in recent years has been the increase in the presence of salad bars in restaurants and other food-service establishments. Such salad bars usually offer the consumer a wide variety of fruits and vegetables from which to choose. The popularity of these salad bars may be attributed at least in part to consumers' increasing concern about physical well-being and their desire to replace certain "processed" foods in the diet with "natural" or "fresh" foods or to reduce caloric intake.

Data indicate that sulfiting agents continued to be used on some of the foods offered for sale at many salad bars. However, their use is rarely disclosed to the consumer. In addition, the levels at which sulfiting agents are used by restaurant and food-service establishment personnel vary widely, largely as a result of the differences in the degree of care employed by such personnel. Consequently, there is a wide variation in the sulfite content of treated products.

The practices and trends described above take on added significance in light of reports received since 1982 of adverse responses associated with food allegedly treated with sulfiting agents. At present, FDA has received over 500 consumer complaints where the individuals reported suffering a variety of adverse allergic-type responses after eating food to which they believed sulfiting agents had been added.

Information currently available indicates that allergic-type responses to sulfites are most likely to occur among persons who are asthmatic. Although prevalence estimates vary, among the estimated 10 million asthmatic patients in the U.S. population, as many as 1 in 10 (or 1 million persons) may be sulfite sensitive (Ref. 4). Although there is even less certainty about the degree to which nonasthmatic persons may also be sulfite sensitive, nonasthmatics were nevertheless involved in several of the complaints reported to the agency.

C. FDA Actions

In 1983, FDA began to take steps to provide consumers with information that would help them avoid foods to which they could be sensitive because the foods were treated with sulfiting agents.

In March of that year, FDA issued an interpretation of its model food sanitation code. This interpretation was later revised in its September 1983 "Retail Food Protection Program Information Manual" (Ref. 5). The revised interpretation stated that "fresh fruits and fresh vegetables and other foods which are intended for sale in the raw state and which have received treatment with sulfiting agents at the retail establishment will be considered safe under the provisions of the model food sanitation code only if the consumers are informed that sulfiting agents have been added." By March 1985, however, 10 States had still not adopted this interpretation. Moreover, because of the great number of restaurants and other retail establishments, comprehensive enforcement is difficult to achieve.

FDA is aware that some recent information indicates that the use of sulfiting agents on salad bar items in food-service establishments, and the use of these agents by suppliers of fresh and ready-to-cook produce to such establishments, have declined in the last 2 years. For example, the National Restaurant Association, which advised its members in February 1983 to stop applying sulfites, found in a subsequent survey (reported in the June 1, 1983 letter from R. Neville to Sanford Miller) that less than 4 percent of its members were using sulfiting agents. In addition, the Produce Marketing Association reported in November 1984 that a recent survey showed that 5 percent of its members were using sulfiting agents, and that only 2 percent were using them on a regular basis (Ref. 4).

Even these relatively low percentages, however, represent a large number of retail establishments in absolute terms. Moreover, these surveys do not include the large number of retail food establishments that do not belong to the organizations conducting these surveys. Thus, the problem of sulfite-sensitive individuals unknowingly eating sulfite-treated foods still exists. This is evidenced by the fact that more than 40 percent of the consumer complaints that FDA has received have come to the agency since the Produce Marketing Association survey was completed. Moreover, such reports have continued even in recent months.

D. Summary

In summary, FDA's concerns stem from the following facts:

1. Sulfite-sensitive asthmatics in the United States may number as many as 1 million persons.
2. Current lifestyle trends and food-processing practices point to significant exposure of individuals to sulfiting agents used on fresh fruits and fresh vegetables.
3. The potential for carelessness or misuse exists when sulfiting agents are applied to food by food-service establishment personnel.
4. Although industry data indicate a decline in the use of sulfiting agents by restaurants and produce marketers, a significant number may still be using them and FDA is still receiving reports from individuals of allergic-type responses allegedly associated with eating sulfite-treated foods.
5. Although FDA has proposed that all packaged foods that contain sulfites be so labeled, labeling in restaurants and grocery stores is not a practical alternative because labeling in those environments is not customarily used and because of the difficulty of enforcing such labeling at either the Federal or State level.

For these reasons, FDA believes that it is necessary to take action as soon as possible concerning the GRAS status of the use of sulfiting agents on fresh fruits and fresh vegetables.

III. Safety Evaluation

Consumer Complaints

Since 1982, FDA has received complaints from approximately 500 individual consumers who reported adverse responses, including 13 deaths, after eating food that the individuals either knew contained or suspected of containing sulfiting agents. Among the 500 reports of adverse responses, the largest segment (approximately 40 percent) specifically mention the occurrence of adverse responses after eating raw fruits or raw vegetables in restaurants, while 4 percent specifically mention fresh produce purchased in a grocery store. Thus, nearly half of all complaints received specifically mention fresh fruits or vegetables. By comparison, approximately 15 percent of the 500 complaints specifically mention the occurrence of adverse responses after drinking wine or beer, and 14 percent specifically mention processed, packaged food eaten at home. The remaining complaints were less specific about the type of food and the place of purchase or consumption.

The spectrum of reported responses to raw fruits and vegetables that had been treated with sulfites is broad, ranging from mild discomfort to very severe and even life-threatening. Although some reports fall into more than one clinical category, approximately 40 percent of the complaints mentioning fresh fruits or vegetables mention gastrointestinal effects, including nausea and diarrhea; about 50 percent mention various forms of respiratory distress; 10 percent mention anaphylaxis, coma, or shock; and 15 percent mention that hospitalization was required or emergency room care was sought. The remaining comments either did not mention specific symptoms or mentioned symptoms other than those described above. In approximately 30 percent of these complaints, the consumers described the responses as allergic responses.

IV. The Panels Report

As noted above, early in 1984 FDA requested that FASEB reexamine the GRAS status of sulfiting agents. In response, FASEB established the Panel, which considered all relevant available information on the use of sulfiting agents. This information included rece[illegible] scientific publications; information submitted to FDA in response to its 19[illegible] proposal; data on the levels of sulfiting agents currently used in the processing of foods and on the levels of sulfiting agents found in various foods as consumed; new toxicological information on sulfiting agents; and data regarding the ability of sulfiting agents to cause allergic-type responses in sensitive individuals. The Panel also had access to the consumer complaints (numbering approximately 300) that FDA had received by that time. In addition, the Panel conducted an open meeting on November 29, 1984, at which individuals and representatives of organizations presented data, information, and views on a range of sulfite-related issues. The Panel made its final report available to FDA on January 31, 1985.

A. Exposure

The Panel estimated that the mean dietary intake of sulfiting agents, as measured in sulfur dioxide equivalents, is about 10 milligrams per capita per day (0.17) milligram per kilogram body weight per day). It also estimated that the 99th percentile intake probably does not exceed 180 milligrams sulfur dioxide equivalents per capita per day (3 milligrams per kilogram body weight per day). The latter figure represents regular consumption of foods containing high levels of sulfites, such as wine, shrimp, "instant" potatoes, dried apricots, and "tossed salad" (Ref. 4).

B. Sulfite-Sensitivity Reactions

The Panel reviewed the evidence for the occurrence of adverse responses in certain individuals after ingesting foods containing sulfiting agents. This evidence included numerous published findings from clinical experiments involving the exposure of both asthmatic and nonasthmatic individuals to sulfiting agents. The Panel also reviewed hundreds of reports, submitted by consumers, physicians, and FDA field investigators, of adverse responses occurring after consumption of foods known to contain or suspected of containing sulfiting agents. A summary of the Panel's findings follows.

1. *Types of Responses.* The most frequently reported response following exposure to sulfites or sulfur dioxide has been bronchial hyperreactivity (bronchoconstriction and bronchospasm), although other responses such as shock, gastrointestinal disturbances, and urticaria/angioedema as well as flushing, hypotension, and tingling sensations have also been reported (Ref. 7).

2. *Clinical Studies.* Clinical investigators have attempted to document adverse responses to sulfites. Many of the studies were conducted on individuals or groups of individuals who previously reported an adverse response to a sulfite-containing food. To quantify adequately the presence and severity of adverse sulfite sensitivity responses, clinical investigators exposed individuals to measured quantities of sulfiting agents in which the amount of sulfiting agents was expressed as sulfur dioxide equivalents. The investigators then reported the extent of any adverse response in terms of a drop in what is often called the patients' "forced expiratory volume at 1 second" (FEV_1).

For example, in 1973, Kochen reported that a mildly asthmatic child experienced acute, transient asthmatic reactions following ingestion of freshly opened sulfite-containing foods (Ref. 8). Reports about this type of reaction were relatively rare until recently. However, challenge testing was not carried out to determine if sulfites were the causative agents in this case. Subsequently, Prenner and Stevens, in 1976, presented a case report of anaphylaxis occurring in a 50-year old nonasthmatic male who consumed a restaurant meal that included a green salad sprayed with a product containing bisulfite (Ref. 9). Oral challenge with sodium bisulfite (10 milligrams total dose) resulted in erythema, itching, nausea, warmness, coughing, and bronchoconstriction for about 1 hour. Lung function measurements were not made nor was a placebo administered as a part of the challenge.

In 1977, Freedman interviewed 272 asthmatic patients and reported that 30 experienced exacerbations of asthma following ingestion of orange drinks made with sodium bisulfite (Ref. 10). Fourteen of the 30 patients allowed challenge tests with a single dose of sodium metabisulfite solution containing 25 milligrams sulfur dioxide equivalents in a weakly acidic solution (sulfur dioxide concentration 100 ppm). Within 2 to 25 minutes, 8 of the 14 patients challenged gave a positive response, defined as a drop of at least 12 percent in FEV$_1$.

In one case, Baker et al. reported bronchospasm in an asthmatic patient following ingestion of canned crabmeat salad with a vinegar dressing (Ref. 11). Oral challenge of this patient with sodium metabisulfite resulted in severe bronchospasm within 30 minutes. No reaction was observed after ingestion of the canned crabmeat alone when given as a clinical challenge. In a second patient whose asthma was provoked by wine, a single-blind oral challenge with a capsule containing 500 milligrams sodium metabisulfite caused a drop in peak flow rate from about 440 liters per minute before challenge to 100 liters per minute 30 minutes after challenge. Challenge with a placebo capsule did not produce a significant pulmonary change in the second patient.

In 1983, Schwartz reported the clinical presence of vague, general symptoms following oral challenge with metabisulfite in two patients who developed dizziness, weakness, nausea, chest tightness, tachycardia, and dyspnea associated with restaurant meals (Ref. 12). Pulmonary function studies during an oral metabisulfite challenge showed no changes.

Stevenson and Simon reported in 1981 on clinical investigations on four patients with histories of severe bronchoconstriction and anaphylaxis associated with consumption of restaurant meals (Ref. 13). Single-blind oral challenges were administered to these patients in the fasting state and while they were taking their usual medications. Placebo capsules were administered orally every 30 minutes on the first morning of testing, and capsules containing 1, 5, 10, 25, or 50 milligrams of potassium bisulfite were given sequentially ever 30 minutes on the second day. FEV$_1$ values were measured at 30-minute intervals on both days. All four patients reacted to bisulfite challenges, developing asthmatic symptoms 10 to 15 minutes after ingestion of a provocative dose (10, 25, or 50 milligrams). FEV$_1$ decreased 34 to 49 percent at 30 to 90 minutes after are provocation. Systemic symptoms including flushing, tingling, and faintness occurred in all subjects. Subsequent oral challenge of six sulfite-sensitive asthmatic patients with sulfite solutions produced responses equal to the responses observed after oral capsule challenge but at levels approximately one-half of the provocative capsule dose (Ref. 14). Fifteen additional asthmatic patients with a history of incrased asthmatic responses associated with consumption of food and beverages were serially challenged with capsules containing 5, 10, 25, and 50 milligrams sodium metabisulfite (Ref. 15). Only one of these patients had a significant response to the challenge. In that case, administration of 5 milligrams sodium metabisulfite produced a fall of 28 percent in FEV$_1$ in 2 minutes.

Capsules containing 1.4, 14, 144, or 288 milligrams potassium metabisulfite were sequentially administered to 134 patients selected from a clinic population of 1,073 patients having asthma and related allergic symptoms (Ref. 16). Decreases in FEV$_1$ values of at least 15 percent were reported in 50 of the 134 patients challenged. Based upon these challenges, Buckley et al. (1985) estimated that 4.6 percent of asthmatic patients respond to sulfite challenge (Ref. 16).

In another clinical study, lettuce treated with sodium bisulfite was employed as an oral challenge to evaluate pulmonary function of five stable, previously documented sulfite-sensitive asthmatic patients after consumption of food containing sulfiting agents (Refs. 17 and 18). Three-ounce portions of lettuce were dipped according to package instructions in a commercial vegetable freshener containing sodium bisulfite or in a similar commercial product that did not contain a sulfite salt. Approximately 10 milliliters of solution (80 to 90 milligrams bisulfite) adhered to the lettuce after draining. All five patients showed a significant decreased in FEV$_1$ (mean decrease 44 percent, range 31 to 64 percent) after consuming the sulfite-treated lettuce. None reacted to the control lettuce. Four of the patients were described as having moderate asthmatic responses, while the fifth had a life-threatening response requiring extensive emergency treatment (Ref. 18).

Not all clinical investigations reviewed by the Panel provided equally convincing and strong evidence for an association between exposure to sulfites and adverse responses. In one study performed by Sonin and Patterson in 1985, 12 patients with idiopathic anaphylaxis, 9 of whom had a history of reactions associated with restaurant meals, and 10 control subjects were challenged with increasing oral doses of sodium metabisulfite dissolved in lemonade (Ref. 19). A similar extent of mild nonspecific irritant and subjective symptoms were reported in both groups of patients. No anaphylactic responses occurred in the 12 patients with idiopathic anaphylaxis. No bronchospasm occurred, although pulmonary functions was abnormal in three of these patients.

Similarly, in a presentation made at the open meeting of the ad hoc Review Panel, Taylor reported that oral capsule challenge of 100 non-steriod-dependent asthmatic patients with potassium metabisulfite resulted in no cases of sulfite sensitivity that could be confirmed by double-blind challenge (Ref. 20). However, single-blind challenges of [illegible] steroid-dependent asthmatic patients resulted in a decrease in FEV$_1$ of at least 20 percent in 14 cases. Double-blind challenges of five of these steroid-dependent patients resulted in significant decreases in FEV$_1$ in only two cases.

In another study, FEV$_1$ values did not decline and no manifestations of sulfite sensitivity were reported following administration of bisulfite to five steriod-dependent asthmatic patients without histories of responses associated with restaurant meals (Ref. 13).

Experience with oral challenge testing of sulfites has led to differing opinions concerning the extent of sensitivity resposes to sulfiting agents. Based upon their clinical work with capsule and solution challenges of a group of asthmatic patients, Simon et al. (Ref. 21) and Simon (Ref. 18) estimate that 5 to 10 percent of the 10,000,000 asthmatic patients in the United States may be sensitive to orally ingested sulfiting agents. Buckley et al. suggest a prevalence of 4.6 percent for sulfite sensitivity based on capsule challenges of selected members of a clinic population having asthma and related unusual allergic symptoms (Ref. 16). A lower prevalence of sulfite sensitivity (1 to 2 percent of the overall asthmatic population) is estimated by Taylor (Ref. 20) whose clinical results with capsule challenge suggest that sulfite sensitivity is limited to steroid-dependent asthmatic patients. Patterson and colleagues have yet to identify sulfite sensitivity among idiopathic anaphylactic patients selected from an extensive asthmatic population and consider that sulfite sensitivity may be a minor problem (Ref. 22). Although a number of individuals have been clinically tested for sulfite sensitivity by oral challenge, there is no compilation of data available on the distribution of asthmatic and nonasthmatic patients sensitive to sulfiting agents according to age, sex, race, genetic traits, ethnicity, and other variables.

3. *Individual Case Reports.* The Panel reviewed copies of all the consumer complaints that had been sent to FDA, which, at the time the Panel did its work, numbered about 300. These included reports by individual consumers who were both asthmatic and nonasthmatic. The Panel also reviewed some, more thorough, case reports submitted by physicians. Some of the consumer and physician reports included additional information from followup investigations conducted by FDA field personnel. The Panel concluded that these reports indicate an association between adverse responses and the ingestion of meals that include foods containing sulfiting agents.

C. The Panel's Conclusions and Recommendations

The Panel concluded, in part, that the available information contains sufficient evidence to demonstrate a hazard of unpredictable severity to sulfite-sensitive individuals when they are exposed to sulfiting agents in some foods at levels that are now being used.

The Panel concluded that the reported associations are sufficiently numerous, and the responses sufficiently severe, to deserve serious attention. It found that, in some cases, sulfite-sensitive individuals have had life-threatening responses following exposure to sulfite-treated foods and recommended that practical means be found to protect these individuals from the potential hazards of sulfites.

The Panel specifically noted that fresh fruits and vegetables dispensed in food-service establishments or sold in grocery stores are among the foods that have been shown to elicit adverse responses.

The Panel concluded "that additional labeling requirements alone would not assure protection."

It further concludes:

> This is particularly likely when sulfite-treated fresh fruits and vegetables and pre-cut potatoes are dispensed in food service establishments or sold in grocery stores, and consumers, service and store personnel are not adequately aware that sulfite agents are present.

Information provided to the Panel indicates that the use of sulfites on fresh produce in food service establishments is being discouraged by the National Restaurant Association and the Produce Marketing Association, and that use has decreased over the past two years. Such voluntary curtailment of sulfite use on such products is an important step in reducing opportunities for unsuspecting sulfite-sensitive individuals to be exposed, and discontinuance of these uses should be encouraged by appropriate use of the regulatory process.

IV. Discussion

A. This Proposal

In this proposal, FDA is announcing that based on the data and information that have become available to it since publication of its July 9, 1982, proposal on sulfiting agents; on the conclusions that the Panel reached in its 1985 reexamination of the GRAS status of sulfites; on its evaluation of the Panel report; and on other available data, it believes that there is no longer a basis to find that the use of sulfiting agents as a preservative on fruits or vegetables intended to be served or sold raw to consumers is GRAS.

Under 21 U.S.C. 321(s), for the use of a substance to be GRAS, there must be a consensus among qualified experts that that use has been shown to be safe. Given the recent evidence of severe acute responses reported in some individuals who have eaten sulfited fruits and vegetables and the other information discussed in this document, FDA believes that a consensus that this use of sulfites is safe does not currently exist. As a result, the agency is proposing to amend Part 182 to exclude this use from those that are GRAS under the regulations on the sulfiting agents.

FDA is basing this action on a number of factors:

1. There are people within the U.S. population, whose number may be as high as 1 million, according to some estimates, who are sulfite sensitive and suffer allergic-type responses of unpredictable severity upon ingesting foods treated with sulfiting agents.

2. The use of sulfiting agents by restaurants and other food-service establishments on fruits and vegetables presented to the consumer for sale as fresh (e.g., salad bars) is cited in the largest fraction (nearly half) of the consumer complaints of adverse responses received by FDA.

3. Although sensitive individuals can possibly avoid sulfite-treated foods that are packaged and labeled, the use of signs has not proven to be effective in protecting sensitive persons in such situations as restaurant salad bars, when sulfiting agents are used on fruits and vegetables intended to be served or sold raw to consumers or presented to consumers as fresh. Adverse responses alleged to be associated with these uses have continued despite some States' efforts to require signs. Moreover, the Panel has stated that it believes that the use of signs will not be an effective means of protecting sensitive individuals. Furthermore, FDA believes, as stated earlier, that labeling in restaurants and grocery stores is not a practical alternative because labeling in those environments is not customarily used and because of the difficulty of enforcing such labeling at either the Federal or State level.

4. In addition, the levels of sulfiting agents on raw fruits and vegetables are likely to vary widely and will depend upon the care exercised by food-service personnel in following use instructions for their application. Thus, a significant potential exists for abuse or misuse of these chemical preservatives.

5. Because many restaurants now operate salad bars without using sulfites, it appears that substituting alternative preservatives or implementing revised operating procedures (e.g., refilling salad bar items more frequently) is a feasible course of action.

FDA believes that there is a pressing need for it to act with regard to the use of sulfites on raw fruits and vegetables. The response of certain individuals to sulfite-treated foods is often unpredictable, and the allergic-type responses can be extremely severe, even fatal. Consequently, the agency must act quickly to diminish the likelihood of additional severe adverse responses in unsuspecting consumers.

Therefore, the agency is allowing only 30 days for interested persons to comment on this proposal. Although 21 CFR 170.38(b)(2) states that 60 days will normally be given for comment on a proposal to find that the use of a substance is not GRAS, the procedures in § 170.38 are subject to Part 10 (21 CFR Part 10). (See 21 CFR 170.38(b)(1).) Under § 10.40(b)(2), the agency may shorten a comment period for good cause. As stated above, the agency believes that its concerns about the protection of the public health provide good cause for shortening the comment period in this instance.

FDA's concerns about the potential hazards from the use of sulfiting agents on fruits or vegetables intended to be served or sold raw extends to those fruits and vegetables that may not actually be fresh but that are presented to the consumer as fresh (e.g., thawed frozen fruits and vegetables). Therefore, the proposed amendments to Part 182 reflect this concern.

B. Exclusions

The use of sulfiting agents on grapes is not included in this proposal. Sulfiting agents are used on grapes as a fungicide rather than as a preservative. Therefore, this use is subject to regulation by the Environmental Protection Agency under the Federal Insecticide, Fungicide, and Rodenticide Act and not to regulation by FDA. (7 U.S.C. et seq.)

V. Other Relevant Information

A. General Comments

FDA received numerous comments on its July 9, 1982, proposal to affirm the GRAS status of certain sulfiting agents.

Three comments from the food industry related to the use of sulfiting agents on fresh fruits and fresh vegetables. One comment was from a trading association, and two were from restaurant chains. These comments simply informed FDA that they were in fact using sulfiting agents on fresh fruits and vegetables.

One comment from a private testing laboratory stated that it had tested foods for sulfite content and reported on the levels that it had measured.

B. Citizen's Petition

On October 28, 1982, the agency received a citizen petition signed by three consumers, a physician, a scientist, and representatives of the Center for Science in the Public Interest (CSPI), Washington, DC. The petitioners requested that FDA amend certain food standards and rescind certain food additive regulations, prior sanctions, and advisory opinions that permit the use of sulfiting agents at a level of more than 350 micrograms per serving. The petitioners also requested that FDA require warning labels on any food products in which sulfiting agents must be used in amounts greater than 350 micrograms per serving to perform essential public health functions.

In a supplement to this petition, which was submitted on March 15, 1983, the petitioners requested that FDA ban the use of sulfiting agents in restaurant salad bars, withdraw the prior sanction permitting the use of sodium bisulfite on potatoes, and institute appropriate enforcement action against sulfite-containing products that are labeled for use on vegetable salads because vegetable salads are a significant source of thiamine (vitamin B_1).

FDA has considered the requests made in the CSPI petition and the supplement. Because this proposed rulemaking is intended to address only the use of sulfiting agents in fruits and vegetables intended to be served raw or sold raw to consumers, the agency will respond here only to the requests that are relevant to these uses. FDA will respond to the other issues raised in the citizen petition in future Federal Register documents.

The petitioners submitted data to support their claim that vegetable salads are a significant source of thiamine, and that products that instruct users to apply sulfiting agents to these foods are misbranded. The petitioners suggested that FDA issue an appropriate regulatory letter to all manufacturers of such products.

FDA acknowledges that it has never authorized the use of sulfites on foods that are recognized as a significant source of thiamine. Foods that can serve as significant sources of vitamins, including thiamine, are defined in 21 CFR 101.9(c)(7)(v) as those that supply at least 10 percent of the minimum daily requirement for vitamins, which in the case of thiamine is 0.15 milligram. FDA has calculated the amount of thiamine present in a traditional serving of salad (1 cup lettuce, ½ tomato) as being less than 0.15 milligram (Ref. 6). FDA concludes, therefore, that an average serving (according to the results of the U.S. Department of Agriculture 1977–1978 Nationwide Food Consumption Survey) of a green salad does not serve as a significant source of thiamine. For this reason, FDA also concludes that it cannot grant the petitioners' request for enforcement action against products containing sulfiting agents that are labeled for use on vegetable salads.

Nonetheless, FDA has tentatively concluded that it is necessary for the agency to take action against the use of sulfiting agents on fruits and vegetables intended to be served or sold raw to consumers. It is proposing that action in this document. Moreover, should this regulation become final, products containing sulfites and labeled for use on fresh vegetable salads would be adulterated under section 402(a)(2)(C) of the act (21 U.S.C. 342(a)(2)(C)). They would be adulterated under that section because a sulfite intended to be used to preserve the freshness of raw fruits and vegetables would be an unapproved food additive and therefore unsafe under section 409(a) (21 U.S.C. 348(a)).

VI. Conclusions

This proposed rulemaking announces that currently available information has created significant questions about whether the use of sulfiting agents in fruits and vegetables intended to be served raw or sold raw to consumers is safe. As a result, FDA believes that this use of sulfites can no longer be considered to be GRAS. The agency is proposing in this document to amend Part 182 to exclude the use of sulfiting agents on fruits and vegetables intended to be served or sold raw to consumers as fresh from the uses of sulfiting agents that are GRAS. Such use of sulfiting agents would constitute the use of unapproved food additives and would, therefore, cause any food to which they have been added to be adulterated and in violation of section 402(a)(2)(C) of the Act. The comment period for this proposal is 30 days.

The agency requests comments from all interested persons on all relevant issues relating to this proposal. The agency especially seeks comments relating to the following:

1. Additional evidence concerning whether there is an association between exposure to sulfites on fresh fruits and vegetables and adverse responses in sulfite-sensitive individuals;
2. Data on the extent to which restaurants, other food-service establishments, grocery stores, and other produce handlers currently use sulfiting agents on fruits or vegetables; and
3. Practical alternatives to the use of sulfites on fresh fruits and vegetables.

VII. Economic Impact

FDA has determined that the primary cost of this proposed rule results from the substitution of other additives or procedures for sulfiting agents. In accordance with section 605(b) of the Regulatory Flexibility Act (Pub. L. 96-354), the agency has determined that no significant economic impact on a substantial number of small entities, including small businesses, will derive from this action. Further, in accordance with Executive Order 12291, FDA has analyzed the economic effects of this proposal and has determined that it is not a major rule as defined by that Order.

The agency's findings of no major economic impact and no significant impact on a substantial number of small entities, and the evidence supporting these findings, are contained in a threshold assessment which may be seen in the Dockets Management Branch (address above).

VIII. Environmental Impact

The agency has considered the potential environmental effects of this action and has concluded that the action will not have a significant impact on the human environment and that an environmental impact statement is not required. The agency's environmental assessment and finding of no significant impact may be seen in the Dockets Management Branch, between 9 a.m. and 4 p.m., Monday through Friday.

IX. References

The following references have been placed on display in the Dockets Management Branch and may be seen by interested persons between 9 a.m. and 4 p.m., Monday through Friday.

1. Select Committee on GRAS substances. "Insights on Food Safety Evaluation," Life Sciences Research Office, Federation of American Societies for Experimental Biology, prepared under FDA contract 223–81–2394, December 1982, and references cited therein.

2. Select Committee on GRAS Substances. "Evaluation of Health Aspects of Sulfiting Agents as Food Ingredients," Life Sciences Research Office, Federation of American Societies for Experimental Biology, prepared under FDA contract 223–75–2004, 1976.

3. "Sulfiting Agents; Proposed Affirmation of GRAS Status with Specific Limitations; Removal from GRAS Status as Direct Human Food Ingredient," 47 FR 29956; July 9, 1982.

4. Select Committee on GRAS Substances. "The Reexamination of the GRAS Status of Sulfiting Agents," Life Sciences Research Office, Federation of American Societies for Experimental Biology, prepared under FDA contract 223–83–2020, January 28, 1985.

5. Retail Food Protection Program Information Manual, Part 6, Chapter 01, Number 2–101, Revised September 29, 1983.

6. Memorandum from John E. Vanderveen, Director, Division of Nutrition, to John Taylor, Director, Division of Regulatory Guidance, "Thiamine Content of Foods in Reference to Sulfiting Agents," April 10, 1985.

7. National Institute of Allergy and Infectious Diseases, American Academy of Allergy and Immunology, Committee on Adverse Reactions to Foods, "Adverse Reactions to Foods," NIH publication No. 84–2442, 1984, 220p. (available from U.S. Government Printing Office, Washington, DC).

8. Kochen, J., Sulfur Dioxide, a Respiratory Tract Irritant, Even if Ingested." *Pediatrics*, 52:145–146, 1973.

9. Prenner, B. M., and J. J. Stevens, "Anaphylaxis after Ingestion of Sodium Bisulfite," *Annals of Allergy*, 37:180–182, 1976.

10. Freedman, B. J., "Asthma Induced by Sulphur Dioxide, Benzoate and Tartrazine Contained in Orange Drinks," *Clinical Allergy*, 7:407–415, 1977.

11. Baker, G. J., P. Collett, and D. H. Allen, Bronchospasm Induced by Metabisulfite-Containing Foods and Drugs," *Medical Journal of Australia*, 2:614–616, 1981.

12. Schwartz, H. J., "Sensitivity to Ingested Metabisulfite: Variations in Clinical Presentation," *Journal of Allergy and Clinical Immunology*, 71:487–489, 1983.

13. Stevenson, D. D., and R. A. Simon, "Sensitivity to Ingested Metabisulfites in Asthmatic Subjects," *Journal of Allergy and Clinical Immunology*, 68:26–32, 1981.

14. Goldfarb, G., and R. Simon, "Provocation of Sulfite Sensitive Asthma," *Journal of Allergy and Clinical Immunology*, 73:138, 1984 (Abstract).

15. Koepke, J. W., and J. C. Selner, "Sulfur Dioxide Sensitivity," *Annals of Allergy*, 48:258, 1982 (Abstract).

16. Buckley, C. E., III, H. A. Saltzman, and H. O. Sieker, "The Prevalence and Degree of Sensitivity to Ingested Sulfites," *Journal of Allergy and Clinical Immunology*, 1985 *(Abstract)*, In press.

17. Howland, W. C., and R. A. Simon, "Restaurant-Provoked Asthma: Sulfite Sensitivity," *Journal of Allergy and Clinical Immunology*, 1985 (Abstract), In press.

18. Simon, R. A., Oral presentation given at the open meeting of the Ad Hoc Review Panel on the Reexamination of the GRAS Status of Sulfiting Agents held November 29, 1984, Bethesda, MD.

19. Sonin, L., and R. Patterson, "Metabisulfite Challenge in Patients with Idiopathic Anaphylaxis," *Journal of Allergy and Clinical Immunology*, 75:67–69, 1985.

20. Taylor, S. L., Oral presentation given at the open meeting of the Ad Hoc Review Panel on the Reexamination of the GRAS Status of Sulfiting Agents held November 29, 1984, Bethesda, MD.

21. Simon, R. A., L. Green, and D. D. Stevenson, "The Incidence of Ingested Metabisulfite Sensitivity in an Asthmatic Population," *Journal of Allergy and Clinical Immunology*, 69:118, 1982 (Abstract).

22. Patterson, R., Northwestern University, Evanston, IL., Letter plus attachments, dated July 9, 1984, to S. A. Anderson, Federation of American Societies for Experimental Biology, Bethesda, MD.

X. Miscellaneous Information

FDA is unaware of any prior sanction for the use of these ingredients in foods that covers the conditions identified in this document. Any person who intends to assert or to rely on such a sanction shall submit proof of its existence in response to this proposal. The amendments proposed above will constitute determinations that excluded prior-sanctioned uses would result in adulteration of the food in violation of section 402 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 342), and the failure of any person to come forward with proof of an applicable prior sanction in response to this proposal constitutes a waiver of the right to assert or rely on the sanction later.

The agency believes, however, that even if a prior sanction does exist for the use of sulfiting agents on fruits and vegetables intended to be served raw or sold raw, reliance on that sanction would likely not be a sufficient justification to continue this use of sulfiting agents. FDA believes that recent information demonstrates that this use of sulfiting agents may be injurious to a significant number of people. Furthermore, present day food-processing practices and dietary trends could not have been anticipated before 1958, when a prior sanction would have been issued. Therefore, FDA tentatively concludes that the use of sulfiting agents on fruits and vegetables intended to be served raw to consumers or sold raw to consumers would cause the food to be adulterated within the meaning of section 402 of the act (21 U.S.C. 342).

Interested persons may, on or before September 13, 1985, submit to the Dockets Management Branch (address above) written comments regarding this proposal. Two copies of any comments are to be submitted, except that individuals may submit one copy. Comments are to be identified with the docket number found in brackets in the heading of this document. Received comments may be seen in the office above between 9 a.m. and 4 p.m., Monday through Friday.

List of Subjects in 21 CFR Part 182

Generally recognized as safe (GRAS) food ingredients, Spices and flavorings.

Therefore, under the Federal Food, Drug, and Cosmetic Act, it is proposed that Part 182 be amended as follows:

PART 182—SUBSTANCES GENERALLY RECOGNIZED AS SAFE

1. The authority citation for Part 182 continues to read as follows:

Authority: Secs. 201(s), 409, 701, 52 Stat. 1055–1056 as amended, 72 Stat. 1784–1788 as amended (21 U.S.C. 201(s), 348, 371).

2. In § 182.3616 by revising paragraph (c), to read as follows:

§ 182.3616 Potassium bisulfite.

* * * * *

(c) *Limitations, restrictions, or explanation.* This substance is generally recognized as safe when used in accordance with good manufacturing practice, except that it is not used in meats or in food recognized as source of vitamin B_1, and that it is not used on fruits or vegetables intended to be served raw to consumers or sold raw to consumers or to be presented to consumers as fresh.

3. In § 182.3637 be revising paragraph (c), to read as follows:

§ 182.3637 Potassium metabisulfite.

* * * * *

(c) *Limitations, restrictions, or explanation.* This substance is generally recognized as safe when used in accordance with good manufacturing practice, except that it is not used in meats or in food recognized as source of vitamin B_1, and that it is not used on fruits or vegetables intended to be served raw to consumers or sold raw to consumers or to be presented to consumers as fresh.

4. In § 182.3739 by revising paragraph (c), to read as follows:

§ 182.3739 Sodium bisulfite.

* * * * *

(c) *Limitations, restrictions, or explanation.* This substance is generally recognized as safe when used in accordance with good manufacturing practice, except that it is not used in meats or in food recognized as source of vitamin B_1, and that it is not used on fruits or vegetables intended to be served raw to consumers or sold raw to consumers or to be presented to consumers as fresh.

5. In § 182.3766 be revising paragraph (c), to read as follows:

§ 182.3766 Sodium metabisulfite.

* * * * *

(c) *Limitations, restrictions, or explanation.* This substance is generally recognized as safe when used in accordance with good manufacturing practice, except that it is not used in meats or in food recognized as source of vitamin B_1, and that it is not used on fruits or vegetables intended to be served raw to consumers or sold raw to consumers or to be presented to consumers as fresh.

6. In § 182.3798 by revising paragraph (c), to read as follows:

§ 182.3798 Sodium sulfite.

* * * * *

(c) *Limitations, restrictions, or explanation.* This substance is generally recognized as safe when used in accordance with good manufacturing practice, except that it is not used in meats or in food recognized as source of vitamin B_1, and that it is not used on fruits or vegetables intended to be served raw to consumers or sold raw to consumers or to be presented to consumers as fresh.

7. In § 182.3862 by revising paragraph (c), to read as follows:

§ 182.3862 Sulfur dioxide.

* * * * *

(c) *Limitations, restrictions, or explanation.* This substance is generally recognized as safe when used in accordance with good manufacturing practice, except that it is not used in meats or in food recognized as source of vitamin B_1, and that it is not used on fruits or vegetables intended to be served raw to consumers or sold raw to consumers or to be presented to consumers as fresh.

Dated: July 24, 1985.

Frank E. Young,

Commissioner of Food and Drugs.

Margaret M. Heckler,

Secretary of Health and Human Services.

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BILLING CODE 4160-01-M

person may make its views known even before any recommendation is made to the Commission regarding whether an adjudication should be initiated. Moreover, it has been the practice of our enforcement staff to transmit the views of those being investigated to the Commission along with the staff's own recommendations.[11]

A number of commenters express concern regarding the related issues of separation of functions and *ex parte* contacts. The principal concern is that the consideration of on-the-record administrative adjudications might be affected by off-the-record information privately conveyed to the Commission or its advisory staff by the enforcement staff. The commenters propose various changes to provide additional safeguards against prohibited contacts. Such changes are unnecessary.

In the Notice of Proposed Rulemaking, "the Commission [sought] to emphasize that the *ex parte* provisions do not apply to the conduct of Commission investigations, which are not on-the-record proceedings." [12] Similarly, the rules relating to separation of functions are not applicable to investigations.[13] Neither set of rules applies because an investigation is not an adjudication affecting the substantive rights of those under investigation. Rather, as noted above, an investigation is simply the means whereby the Commission gathers sufficient information to decide whether an adjudication should be initiated. Of course, information gathered in an investigation may be introduced as evidence in a subsequent on-the-record adjudication before the Commission. However, the *ex parte* and separation-of-functions rules are fully applicable during such an adjudication, and all parties have the opportunity to test and question all evidence introduced.

On the basis of our seven years' of experience, we perceive no need to impose the numerous restrictions suggested by the communters. The existing rules have served to protect both the public interest and the rights of those under investigation. At best, the proposed restrictions would create rigidity where flexibility is needed, at worst, they would seriously hamper the Commission's ability to gather the information necessary for the proper enforcement of the laws that it administers.

IV. Conclusion

The Commission's seven years' experience under the present rules has shown no need for the changes proposed in the Notice of Proposed Rulemaking or in the comments submitted in this docket. The existing rules have proven themselves in actual use. Having considered all written and oral comments in light of seven years' experience, the Commission finds that it is in the public interest to retain the existing Rules Relating to Investigations. Accordingly, the Commission is terminating Docket No. RM78-15.

In consideration of the foregoing the Commission hereby withdraws the Notice of Proposed Rulemaking and terminates Docket No. RM78-15.

By the Commission.

Lois D. Cashell,

Acting Secretary.

[FR Doc. 85-27454 Filed 11-18-85; 8:45 am]

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 201

[Docket No. 84N-0113]

Sulfiting Agents; Labeling in Drugs for Human Use; Warning Statement

AGENCY: Food and Drug Administration.

ACTION: Proposed rule.

SUMMARY: The Food and Drug Administration (FDA) is proposing to requre that a warning statement be included in the labeling of all prescription drugs for human use containing sulfites. FDA believes that this action is necessary because of the evidence that adverse reactions to sulfites occur in certain persons, especially asthmatics. This warning statement could aid physicians in patient managment by providing them with the information necessary to avoid prescribing sulfite-containing drugs to known sulfite-sensitive persons.

DATE: Comments by January 21, 1986.

ADDRESS: Written comments to the Dockets Management Branch (HFA-305), Food and Drug Administration, Rm. 4-62, 5600 Fishers Lane, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Eileen R. Hodkinson, Center for Drugs and Biologics (HFN-364), Food and Drug Administration, 5600 Fishers Lane, Rockville, MD 20857, 301-443-6490.

SUPPLEMENTARY INFORMATION: FDA is proposing to require that information in the form of a warning statement be included in labeling of all prescription drug products intended for human use that contain sulfites. There are recent reports (referenced below) that certain persons, especially asthmatics, experience allergic-type reactions after exposure to drug products that contain sulfites. The requirement for labeling of prescription drug products containing sulfites would provide health care professionals with the information necessary to avoid prescribing such drug products to persons known to be sulfite-sensitive.

Background

Sulfites are chemical substances that are included in drug products to reduce or prevent oxidation (the change in a substance due to its combining with oxygen), which is a major cause of instability in some types of drugs. The instability and loss of potency can be caused by even small amounts of oxygen. Although it is usually relatively simple to remove most of the oxygen from a pharmaceutical container, it is more difficult to make a pharmaceutical container oxygen free. Oxidation of the drug can be inhibited, however, by the use of antioxidants or stabilizers. Sulfites commonly used as antioxidants include sodium metabisulfite, sodium bisulfite, sodium sulfite, potassium sulfite, potassium metabisulfite, and potassium bisulfite. Sulfites are present in more than 1,100 oxygen-sensitive prescription drug products, most intended for intravenous administration with some for inhalant, ophthalmic or other routes of administration. Relatively few oral prescription drug products contain sulfites. In general, prescription drug products that might contain sulfites include bronchodilator solutions for nebulization (but not metered-dose inhalers) and injectable dosage forms intended for use as antiemetics, cardiovascular drugs, antibiotics, large volume amino acid solutions, peritoneal dialysis solutions radiopaque contrast media, local anesthetic agents, and corticosteroids.

The Center for Science in the Public Interest (CSPI), an organization based in Washington, DC, has petitioned the agency to restrict sulfite use or require labeling for foods and drugs containing sulfites. Specifically with regard to drugs, CSPI has requested that the agency (1) ban the use of sulfites in drug products designed for the treatment of asthma, and (2) either ban the use of sulfites in all over-the-counter (OTC) and prescription drug products or require a warning label in drug products in which sulfites must be used to maintain drug stability and potency.

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[11] On the other hand, as the Commission explained in the Notice of Proposed Rulemaking, because an investigation precedes any adjudication that might affect the substantive rights of those under investigation, "it would seriously undermine the Commission's enforcement efforts to require as a matter of right the pre-notification of all persons who may be named in a Commission action or who may be proceeded against civilly or criminally of the possibility that such action might occur and to afford an opportunity to be heard in each instance before the Commission." 44 FR 21588, 21590 (1979).

[12] *Id.*

[13] 18 CFR 385.101(b)(1) (1985) (provisions of 18 CFR Part 385, including *ex parte* and separation-of-functions rules, not applicable to investigations under 18 CFR Part 1b).

Discussion of the Problem

Reports in the medical literature indicate that sulfites can precipitate, in susceptible persons, hypersensitivity reactions ranging from mild to life threatening. The types of reactions that have been reported following the administration of sulfites includes hives, angioedema, laryngeal edema, hypotension, wheezing and cyanosis, gastrointestinal distress, flushing, contact dermatitis, loss of consciousness, respiratory arrest, and coma. Hypersensitivity reactions occur in individuals abnormally sensitive to an antigen, drug, or other agent. More than one pathophysiologic mechanism may be responsible for these reactions. After reviewing the reports on sulfite sensitivity, the agency believes that this may be the case with sulfites.

For example, some patients may have an IgE-mediated immediate hypersensitivity reaction, or what is usually referred to as an allergic reaction like that caused by penicillin, as in one such patient reported in the literature (Ref. 1). On the other hand, other sulfite-sensitive patients do not appear to have had this kind of reaction. Sulfur dioxide (SO_2), the end product of sulfite metabolism in a hydrated slightly acidic medium and a known cause of asthma by inhalation, may be responsible for many of the reported reactions (Refs. 2 and 3). In addition, investigators at Scripps have postulated that some sulfit sensitive patients are deficient in the enzyme sulfite oxidase, which catalyzes the breakdown of sulfite into inactive sulfate (Ref. 3). Whatever the mechanism, patients may experience either life-threatening anaphylaxis (often consisting of fall in blood pressure, shortness of breath, hives, itching, edema) or, more often, an acute asthmatic attack.

While most reactions associated with exposure to sulfites in foods and drug products have been in asthmatic patients, there have been reports of reactions of sulfites in nonasthmatic persons as well. The prevalence of sulfite-sensitivity in either population, however, is not known.

It has been demonstrated that asthmatics may develop bronchoconstriction in the presence of even low concentrations of SO_2. For example asthmatics have been shown to develop bronchospasm at SO_2 level of 0.1 to 1.0 part per million (ppm), significantly less than the SO_2 levels from sulfites found in some prescription nebulized bronchodilator solutions (0.1 to 6 ppm) used to treat asthmatics (Refs. 4 and 5). Furthermore, the symptoms for which a bronchodilator is used can be indistinguishable from the symptoms caused by sulfite hypersensitivity. As discussed below, case reports and the medical literature note that a patient using a sulfite-containing bronchodilator may experience worsening of symptoms and would be unable to tell whether the asthma was unresponsive and progressing or whether sulfites were exacerbating the symptoms. The patient might well in the situation use additional doses of bronchodilator solution, with adverse consequences if the patient were in fact sulfite sensitive.

Case Reports and Literature Review

The earliest reports of adverse reactions from sulfites that appeared in the medical literature involved food products. The first such case was discussed by Prenner and Stevens in 1976 (Ref. 6). The patient was a 50-year-old man who was not asthmatic. He developed a systemic anaphylactic reaction consisting of generalized hives, itching, swelling of the tongue, difficulty in swallowing, and tightness in the chest minutes after eating a meal at a restaurant that included a salad sprayed with sodium bisulfite. An oral provocation challenge with sodium bisulfite solution produced a similar reaction in the patient.

About the same time, Freedman evaluated the effects of challenge with SO_2 in asthmatic patients in Great Britain (Ref. 7). In this study of 272 asthmatic patients, 30 gave a history of asthma attacks after ingestion of orange drinks containing sulfites. Fourteen were given provocation tests by drinking solutions of sulfur dioxide. Eight of these 14 patients had a positive response as determined by a 12 percent or greater fall in forced expiratory volume (FEV_1) at 1 second. Freedman followed that early work with a review of the problem, and concluded that SO_2 can induce a asthma attack when either inhaled or ingested by sensitive subjects (Ref. 8).

In 1981, Stevenson and Simon reported their test findings on a group of four asthmatic women, 27 to 65 years of age, who had previously suffered severe wheezing and symptoms of anaphylaxis after ingesting food and drinks in restaurants (Ref. 9). On single-blind challenge with 10- to 50-milligram (mg) capsules of a metabisulfite, these patients developed symptoms of asthma and a decrease in pulmonary function as measured by FEV_1 within 10 to 30 minutes after challenge. They had negative immediate hypersensitivity skin tests and did not have any increase in vitro histamine release to the metabisulfite. These investigators subsequently described additional patients who had a positive response when challenged with oral metabisulfites (Ref. 10).

During 1981, reports of adverse reactions to sulfites in drug products began to appear in the medical literature. Thus far, the agency is aware of nine such reports (Refs. 2, 5, 6, 11, and 14 through 18). In each case the sensitivity was confirmed by rechallenge. The first case, reported by Baker, involved a patient who was admitted to a hospital for moderately severe asthma (Ref. 11). For 1 hour after administration of intravenous dexamethasone, a drug product commonly used to treat asthma, her condition rapidly deteriorated and she required mechanical ventilation. After 12 hours, here condition had improved and she was given intravenous metoclopramide for nausea. Within minutes she develop acute bronchospasm. Both of these drug products contain sulfites. On single-blind challenge with a 500-mg capsule of a sodium metabisulfite, the patient developed profound bronchospasm and a precipitous fall in peak air-flow rate; lower doses were not tested. Subsequently, these investigators reported on eight additional patients with a positive history for and a positive challenge with oral metabisulfites (Ref. 12). Four of these patients failed to react to large doses of a metabisulfite in a capsule, but rapidly developed asthmatic symptoms after inhaling 25 mg of a metabisulfite in 50 cubic centimeters of 0.5 percent citric acid solution. Werth also discussed sulfite-sensitive patients who had negative reactions to oral challenge with encapsulated metabisulfite but still experienced significant responses to aerosolized metabisulfite (Ref. 13).

In 1982, Twarog and Leung described a patient who developed acute respiratory insufficiency after inhaling isoetharine (a bronchodilator) and diffuse itching and acute wheezing after receiving intravenous metoclopramide (Ref. 1). These medications contained sulfites. She had a positive immediate hypersensitivity skin test to sodium bisulfite and increased in vitro histamine release from leukocytes after stimulation with bisulfites. After receiving 5 mg of aerosolized metabisulfite in a double-blind testing procedure, she became flushed, started wheezing, and was found to have a fall in FEV$_1$ and maximum midexpiratory flow rate (MMFR) of 52 percent and 78 percent, respectively.

In March 1983, Koepke and Selner described two patients who reported experiencing reactions from sulfites in nebulized bronchodilator solutions (Ref. 4). When challenged with a solution containing sodium bisulfite, they developed severe bronchospasm. The study then measured the levels of SO$_2$ found when sulfites combined with aqueous solutions, on the basis that such a combination might account for the incidences of paradoxical bronchospasm noted in some asthmatic patients in the past after inhalation of aerosol bronchodilators. Their analysis of four different commercially used nebulized bronchodilator solutions showed that during nebulization these solutions can generate from 0.1 ppm to 8 ppm of SO$_2$. These amounts are significant because an earlier study by Boushey showed that levels of SO$_2$ as low as 0.1 ppm can produce bronchoconstriction in asthmatic patients (Ref. 5).

Another patient with an adverse reaction to sulfite-containing drug products was described by Koepke in 1984 (Ref. 14). A patient who was an aspirin-sensitive asthmatic inhaled isoetharine during a routine pulmonary function test. However, instead of the expected bronchodilation, a paradoxical decrease in expiratory flow rate was observed, accompanied by throat irritation, chest tightness, and wheezing. Jamieson et al. reported on a 34-year-old female with a history of asthma and urticaria who developed severe difficulty in breathing accompanied by wheezing, intense itching, and hives after inhalation of the bronchodilator metaproterenol (Ref. 15).

Another adverse reaction found in the literature involved a 3-year-old male asthmatic who developed hives and itching after inhaling isoetharine (Ref. 16). Following aerosol challenge with metabisulfite, he developed generalized wheezing which necessitated discontinuation of the test.

Until very recently all reactions to sulfite-containing drug products reported in the literature involved intravenous solutions or inhalation products. In January 1985, however, Schwartz and Sher reported on a 37-year-old asthmatic woman who was given the ophthalmic solution dipivefrin (one drop each eye) for glaucoma. For 2 weeks she continued dipivefrin therapy, along with her usual medication, and her asthma became substantially worse requiring inhaled steroid and epinehrine (Ref. 17). A rechallenge with one drop of dipivefrin in each eye caused notable worsening of pulmonary functions. Challenge with one drop of potassium metabisulfate 0.75 milligram per milliliter alone in each eye produced the same reaction. In April 1985, Schwartz reported on sulfite sensitivity in a 37-year-old woman who reacted to sufites in a local anesthetic administered during a dental procedure (Ref. 18). Local anesthetics, and other drugs used subcutaneously, as well as ophthalmic solutions, had previously been throught to be incapable of producing reactions due to the sulfites present in them.

In addition to these reports in the literature, the agency's Division of Drug Experience has received 14 additional reports of reactions to sulfites in drug products. Only one, however, has been confirmed by challenge as a sulfite reaction. This case involved a known sulfite-sensitive person who received a commonly used intravenous fluid and electrolyte solution, which was labeled as containing sulfites in the list of ingredients.

Although available evidence, all relatively recent, supports the occurrence of some severe reactions to sulfites in drug products, these reactions have been reported less often than one might expect. It is unclear whether the doses of sulfites in many drug products are generally too low to cause severe reactions or whether reactions occur frequently but are mistakenly attributed to the active ingredient and therefore not reported as sulfite reactions. This latter theory has been suggested by Dally et al. in a study in which seven asthmatic patients developed an immediate fall in FEV$_1$ after inhalation of aerosolized gentamicin (Ref. 19). Although the purpose of the study was to assess the effects of gentamicin inhalation on ventilating functions, the authors concluded that the metabisulfite in the product, rather than the gentamicin, probably caused the allergic reaction.

As stated above, the incidence of reactions to sulfites is not known. Sufficient testing to determine the prevalence of sulfite sensitivity in either the asthmatic population or the general population has not been performed. The agency is aware of several recent studies that have been conducted to determine the prevalence in asthmatics, but the populations studied either were not sufficiently defined, or do not appear to represent all types of asthmatics. According to an estimate developed in a 1982 study conducted by Simon at Scripps Clinic and Research Foundation on a small number of asthmatics, approximately 5 to 10 percent of the asthmatic population may be sulfite sensitive (Ref. 10). In this study, Simon demonstrated an 8.2 percent incidence of positive challenge tests to bisulfites in 61 asthmatic patients without a history of reaction to bisulfites. Suetsugu et al. reported in an abstract that 54 percent (50 out of 92) of the known asthmatics studied had an adverse effect on pulmonary function when challenged with 0.1 or 0.3 percent sodium bisulfite as measured by a fall in FEV$_1$ (Ref.20).

In 1984, Towns et al. reported on the results of a study of 29 steroid dependent children with chronic asthma. On single-blind challenge with metabisulfite in solution, 66 percent (19 out of 29) had a positive challenge as measured by a 20 percent decrease in FEV$_1$ (Ref. 21). A recent study by Koepke suggests that in asthmatics sensitivity to inhaled sulfites is more common than sensitivity to ingested sulfites (Ref. 22). In this study, 40 percent (4 out of 10 asthmatics) not sensitive to ingested sulfites developed bronchospasm following sulfite inhalation. As previously stated, these studies are small and cannot easily be extrapolated to the large population of people with asthma, nor do they necessarily apply to orally or parenterally administered drug products. For this reason, the agency is interested in receiving comments on the prevalance of sulfite sensitivity.

Rationale for Proposed Action

On June 20, 1983, FDA's Pulmonary-Allergy Drugs Advisory Committee met to consider whether, in its view, the presence of sulfites in human drugs constituted a safety problem and what action, if any, FDA should take to minimize or eliminate the problem. Although the committee unanimously agreed that the presence of sulfites in human drugs poses a risk to certain susceptible persons, it did not recommend any specific course of action at that time.

After evaluating the reports described above and considering the deliberations of the Pulmonary-Allergy Drug Advisory Committee, FDA has not found evidence in the available information on sulfites in human drugs that demonstrates a significant health hazard to the general population. Therefore, a complete prohibition against their use is not now justified. Because the agency believes that sulfites serve a necessary public health function by maintaining the potency of certain medications, some of which may be life saving, prohibiting sulfite use in drug products could be justified only if acceptable alternatives were available. A general replacement, however, has not yet been identified to the agency's knowledge. Morever, with the exception of ascorbic acid, alternative antioxidants have not had wide exposure and could pose safety problems as severe or worse than with sulfites. Any substitutions would have to be based on demonstrated ability of the substitute to maintain a stable and acceptable drug product. Because there is evidence of a causal relationship between sulfites and serious reactions in certain susceptible persons, however, the agency concludes that individuals who wish to avoid sulfite-containing products should be provided sufficient labeling information to do so. The agency believes that this can be accomplished in several ways.

Current agency regulations already require that the label of prescription drug products, other than those for oral use, bear the name of all inactive ingredients. Thus, for these products, the presence of sulfites, an inactive ingredient, is already required to be declared on the label (see 21 CFR 201.100(b)(5)). Given the nature and extent of the problem associated with sensitivity to sulfites and the fact that persons sensitive to sulfites may react to those agents regardless of the products in which they appear, the agency for some time considered requiring that all other drug products intended for human use, i.e., OTC drugs and prescription drug products for oral use, declare the presence of sulfites on their label and that all prescription drugs contain a warning statement.

The drug industry, however, has begun to take the initiative in dealing with the problem of inactive ingredients, such as sulfites, in drug products. For example, on May 19, 1984, the Proprietary Association, representing manufacturers of nonprescription drug products, announced a labeling program under which its member firms will voluntarily list inactive ingredients in alphabetical order on the labels of drug products packaged after December 1, 1985. The association represents 85 companies and claims a U.S. market of between 90 to 95 percent of all OTC drugs. Similarly, on December 5, 1984, the Pharmaceutical Manufacturers Association (PMA), whose members manufacture the majority of all prescription drug products sold in the United States, adopted a voluntary program under which its member firms would list inactive ingredients in the official package insert for oral dosage form prescription drug products. PMA expects participating companies to be fully cooperating by December 1, 1985. Taken together, these initiatives should result in ingredient labeling for the majority of drug products sold in the United States.

In addition, drug manufacturers are using advertising to inform physicans about products that do or do not contain sulfites and are also including a precautionary statement about sulfite reactions in their prescription drug advertising. Several manufacturers of large volume parenterals are either attempting to reduce the amount of sulfites in their products or are actively working on the feasibility of alternate antioxidants. One major manufacturer of bronchodilators has recently decided to package a product in a unit-dose package which does not require the addition of sulfites. Thus, some sulfite sensitive patients may have an alternative such as unit-dose packaging or metered-dose inhalers while the vast majority of asthmatics who are not sulfite sensitive may still enjoy the convenience and economy of other drug products in various delivery systems.

In view of these voluntary efforts to achieve the same purpose, the agency does not believe that Federal regulation to require the listing of sulfites on the label of OTC or prescription drug products is needed at this time. The agency applauds these voluntary efforts and encourages all drug manufacturers to list sulfites on the labels of their products. For prescription drug products, however, given the potential severity of the risk as evidenced by the adverse reactions reported, the agency believes the label declaration alone is not sufficient. As discussed above, of the 14 reports of adverse reactions to sulfites in drug products received by the agency's Division of Drug Experience, the only one confirmed involved a prescription drug product which listed sulfites on the label, but the listing was overlooked by the attending health care professional. For these reasons, the agency believes that a statement in the labeling is needed to help ensure that health care professionals are alerted to the problem.

Therefore, in addition to the voluntary listing of sulfites on the product label, a statement on the possibility of adverse reactions associated with use should be included in the "Warning" section of prescription drug product labeling. Such a statement would comply with 21 CFR 201.57(e), which requires labeling to include a warning as soon as there is reasonable evidence of an association of a serious hazard with a drug product. The medical literature demonstrates such a risk with sulfite-containing drug products that are inhaled or administered intravenously. Also, as evidenced by the cases discussed above, there may be a risk from subcutaneously administered drug products and ophthalmic solutions. Although the agency has not received any adverse reaction reports involving oral prescription drug products, the potential for reaction from sulfites administered orally has been amply demonstrated in a number of studies. As previously discussed, numerous patients, when challenged with metabisulfite in a capsule form, showed a significant fall in pulmonary function and severe symptoms requiring treatment with epinephrine. The agency believes that it can be concluded from these studies that there is reasonable evidence that oral drug products containing sulfites can cause allergic reactions. On the basis of this accumulated evidence, therefore, the agency is requiring that this warning statement be included in the labeling of all dosage forms of prescription drug products that contain sulfites.

Moreover, because the agency is unaware of any evidence that establishes a level below which sulfites will not cause a reaction in sensitive individuals, this regulation would apply to any prescription drug product to which sulfites are added as an inactive ingredient, regardless of the amount. As demonstrated in case reports, some patients have reacted to very small amounts of sulfites, whereas others have not reacted until challenged with significantly larger amounts. Although a dose-dependent response can be demonstrated in individual patients, establishment of a threshold level would not take into account highly sensitive asthmatics who might react to very small amounts.

The agency acknowledges that much about sulfite sensitivity is still not known. For instance, the dose of sulfites known to cause an adverse reaction in some patients is lower than the amount of sulfites that patients frequently encounter from foods or ambient air over the course of a day. Also, patients may react to sulfites less strongly or not at all on some occasions as compared with other occasions. The reasons for these observed phenomena have not been fully elucidated. It is possible that the administration of a sulfite in a bolus or over a relatively circumscribed period of time may cause more of a reaction than if the dose is spread over many hours. In addition, if at a particular time a patients bronchi are hyperactive, i.e., already associated with or especially prone to symptoms of asthma, than the administration of a sulfite may cause effects that either are not seen at other times or are more severe than effects seen at other times. Other explanations undoubtedly hold in other patients or circumstances. The absence of desirable knowledge on these points does not make less important the risk from sulfites in drug products.

Therefore, the agency is proposing that the professional labeling for all human prescription drug products containing sulfites include the following warning statement: "Contains (*insert the name of the sulfite, e.g., sodium metabisulfite*), a sulfite that may cause serious allergic-type reactions (e.g., hives, itching, wheezing, anaphylaxis) in certain susceptible persons. Although the overall incidence of sulfite sensitivity in the general population is probably low, it is seen more frequently in asthmatics or in atopic nonasthmatic persons."

Currently, the agency is not aware of any evidence of adverse reactions specifically related to OTC drug products containing sulfites. For this reason, and in view of the voluntary inactive ingredient disclosure efforts currently underway, the agency believes that any regulatory action concerning OTC drug products is unnecessary at this time.

References

The articles and publications cited in this preamble are on public display in the Dockets Management Branch (address above) and may be seen by interested persons between 9 a.m. and 4 p.m., Monday through Friday.

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17. Schwartz, H.J., and L.H. Sher, "Bisulfite Intolerance Manifest as Bronchospasm Following Topical Dipivefrin Hydrochloride Therapy for Glaucoma," *Archives of Ophthalmology*, 103:14–15, January 1985.

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21. Towns, S.J., and C.M. Mellis, "Role of Acetyl Salicylic Acid and Sodium Metabisulfite in Chronic Childhood Asthma," *Pediatrics*, 73:631–637, May 1984.

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Proposed Effective Dates

The agency proposes that 180 days after date of publication of any final rule based on this proposal all labeling for prescription drug products for human use initially introduced or initially delivered for introduction into interstate commerce will be required to contain a warning statement regarding the presence of any sulfites in the product (see proposed 21 CFR 201.22(b)).

The use of a sulfite in a human prescription drug product initially introduced or initially delivered for introduction into interstate commerce 180 days after the publication of a final rule would cause the drug to be misbranded under section 502 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 352) if its labeling failed to contain the required warning statement.

Manufacturers of drug products, including approved new drugs, are encouraged to revise their labeling to conform to this proposal at the earliest possible time. Such changes, for new drugs, may be placed in effect upon submission of a supplemental application, and need not wait for prior approval from the agency in accordance with 21 CFR 314.70(b). If the labeling required as a result of the final rule differs from that proposed, manufacturers will be provided sufficient time within which to make further revisions.

Manufacturers of new drugs containing sulfites who delete them and/or substitute another ingredient for the sulfite would be required to obtain approval before reformulation, of a supplemental new drug application showing that the change in composition does not interfere with any assay or control procedure used in the manufacturing of the drug, or that the assay and any other control procedure have been revised to make them adequate. If the change is of such a nature that safety and effectiveness data are needed, such as through the use of oxidants that are not well-known, then the supplement must include these data. The supplement also would be required to include data on the new composition that establish the stability of the revised formulation as required by 21 CFR 311.166. If the data are too limited to support a conclusion that the drug will retain its declared potency for a reasonable marketing period, a commitment to test the stability of marketed batches at reasonable intervals and to submit the data as they become available is required. Additionally, FDA requires a commitment to withdraw from the market any batch found to fall outside the approved specifications for the drug or discuss the deviation with FDA if the applicant believes the deviation is not significant. Manufacturers of drugs not subject to a new drug application would also have to conform to the provisions of 21 CFR 211.166.

Economic Assessment

The agency has examined the regulatory impact and regulatory flexibility implications of the proposed regulation in accordance with Executive Order 12291 and the Regulatory Flexibility Act (Pub. L. 96-354). The agency has estimated that the regulation as proposed would generate costs that are well below the thresholds that signify a major rule and, thus, the proposed regulation does not require a regulatory impact analysis.

FDA's Center for Drugs and Biologics estimates that there are approximately 1,100 prescription drug products currently marketed which contain sulfite as an ingredient. The proposed regulation would require a one-time addition to existing prescription drug product professional labeling—adding a warning statement.

FDA estimates that a drug manufacturer would incur label printing and redesign expenses that include typesetting the warning statement, graphics redesign to position the warning statement on the labeling, and preparing a new negative. FDA estimates that these one-time labeling changes would cost a pharmaceutical manufacturer on an average approximately $80 per drug product label. Thus, the total cost to manufacturers of complying with the proposed regulation would be $88,000 ($80 × 1,100).

FDA also concludes that the proposed regulation would not produce a significant economic impact on a substantial number of small entities and thus does not require a regulatory flexibility analysis. Although many of the manufacturers involved are smaller firms, the costs incurred by these small entities would fall short of the threshold required for a regulatory flexibility analysis.

Environmental Impact

The agency has determined under 21 CFR 25.24(a)(11) (April 26, 1985; 50 FR 16636) that this proposed action is of a type that does not individually or cumulatively have a significant effect on the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is required.

Comments

Interested persons may, on or before January 21, 1986, submit to the Dockets Management Branch (address above) written comments regarding this proposal. Two copies of any comments are to be submitted, except that individuals may submit one copy. Comments are to be identified with the docket number found in brackets in the heading of this document. Received comments may be seen in the office above between 9 a.m. and 4 p.m., Monday through Friday.

List of Subjects in 21 CFR Part 201

Drugs, Labeling.

Therefore, under the Federal Food, Drug, and Cosmetic Act, it is proposed that Part 201 be amended as follows:

PART 201—LABELING

1. The authority citation for 21 CFR Part 201 is revised to read as follows:

Authority: Secs. 502, 505, 701, 52 Stat. 1050–1053 as amended, 1055–1056 as amended (21 U.S.C. 352, 355, and 371); 21 CFR 5.10, 5.11.

2. In Subpart A by adding new § 201.22 to read as follows:

§ 201.22 Prescription drugs containing sulfites; required warning statement.

(a) Sulfites are chemical substances that are added to certain drug products to inhibit the oxidation of the active drug ingredient. Oxidation of the active drug ingredient results in instability of the drug product and may cause loss of potency of the active ingredient. Examples of specific sulfites used to inhibit this oxidation process include sodium bisulfite, sodium metabisulfite, sodium sulfite, potassium bi-sulfite, potassium sulfite, and potassium metabisulfite. Recent studies have demonstrated that sulfites may cause allergic-type reactions in certain susceptible persons, especially asthmatics.

(b) The labeling required by §§ 201.57 and 201.100(d) for prescription drugs for human use containing a sulfite shall bear the warning statement "Contains (*insert the name of the sulfite, e.g., sodium metabisulfite*), a sulfite that may cause allergic-type reactions (e.g., hives, itching, wheezing, anaphylaxis) in certain susceptible persons. Although the overall prevalence of sulfite sensitivity in the general population is probably low, it is seen more frequently in asthmatics or in atopic nonasthmatic persons." This statement shall appear in the "Warnings" section of the labeling.

Dated: October 17, 1985.

Frank E. Young,

Commissioner of Food and Drugs.

Margaret M. Heckler,

Secretary of Health and Human Services.

[FR Doc. 85-27472 Filed 11-18-85; 8:45 am]

BILLING CODE 4160-01-M

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 301

[LR-3-85]

Tax Return Preparers

AGENCY: Internal Revenue Service, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains a proposed amendment to the Regulations on Procedure and Administration. The amemdment relates to disclosure of tax return information by tax return preparers for the purposes of monitoring and auditing return preparation and for the purpose of assisting the tax return preparer or his legal representative in operating the business in the event of incapacity or death of the tax return preparer. This amendment is made in order to provide guidance to tax return preparers with regard to disclosure of tax return information in this context.

DATES: The amendment is proposed to be effective 30 days after publication of final regulations in the **Federal Register.** Written comments and requests for a public hearing must be delivered or mailed by December 19, 1985.

ADDRESS: Send comments and requests for a public hearing to: Commissioner of Internal Revenue, Attention: CC:LR:T [LR-3-85], Washington, D.C. 20224.

FOR FURTHER INFORMATION CONTACT: Richard Chewning of the Legislation and Regulations Division, Office of Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D.C. 20224, Attention: CC:LR:T (202-566-3289, not a toll free call).

SUPPLEMENTARY INFORMATION: This document contains a proposed amendment to the Regulations on Procedure and Administration under section 7216(b)(3) (26 CFR Part 301). The proposed amendment adds a new category to the list of permitted disclosures or use of tax return information without the formal consent of the taxpayer. This amendment is to be issued under the authority contained in section 7216(b)(3) (86 Stat. 529, 26 U.S.C. 7216) and 7805 (68A Stat. 917, 26 U.S.C. 7805) of the Internal Revenue Code of 1954.

Discussion

Section 7216(b) provides that the penalty provision of section 7216(a) will not apply to the disclosure or use of information by preparers of returns if the disclosure is made pursuant to

Mr. WHITTEN. Also, please give us an update of your current activities and considerations still underway regarding sulfites and sodium.

Dr. YOUNG. With respect to sodium, FDA is continuing to monitor the food industry's voluntary efforts to reduce sodium in the food supply. Reductions have largely occurred by introduction of lower sodium alternatives to regular products. However, FDA's Total Diet Study, which measures the sodium content of representative regular foods based on 1977 and 1978 food consumption data, indicates that the sodium content of diets for nearly all age and sex groups is lower now than in 1982/83.

FDA is continuing to monitor sodium content labeling of products through its Food Label and Package Survey. This survey has shown a steady increase since 1980 in the number of products bearing sodium information. The 1986 survey will soon be completed and is expected to document a continuation of the trend. FDA is also following current hypertension research and the evolving knowledge about the relative roles of sodium and other dietary constituents with respect to this disorder.

As for sulfites, the Agency is presently reviewing final rules on the labeling of foods that contain these ingredients in significant amounts and on the use of sulfites on fresh fruits and vegetables. The comment period of FDA's proposed rule relating to prescription drugs that contain sulfites ended on January 21, 1986, and the comments received are under review. A final rule will be drafted after this review is completed.

The Agency is evaluating the Generally Recognized as Safe, or GRAS, status of the use of sufites on potates and in potato products. The Agency is assessing a number of regulatory options with regard to this use of sulfites. FDA is also preparing a new proposal on the GRAS status of all other uses of sulfites in foods. This document will address several issues, including the need for specific limitations on the uses of sulfites.

FDA's Advisory Committee on Hypersensitivity to Food Constituents met on December 12 and 13, 1985, to discuss the use of sulfites in foods and drugs. The commitee endorsed FDA's proposed regulation of April 3, 1985, that would require labeling whenever a detectable amount of sulfite is present in packaged food, as well as FDA's proposal of August 14, 1985, to revoke the GRAS status of the use of sulfites on raw fruits and vegetables.

Among other actions, the committee recommended that FDA prohibit the use of sulfites on fresh and frozen potato products. In addition, the committee recommended that FDA's proposed regulation of November 19, 1985, which would require a warning statement in the labeling of all prescription drugs containing sulfite, be amended to include a requirement for ingredient labeling of sulfites in OTC drugs, as well as a requirement for the disclosure of the amount of sulfite present in both prescription and OTC drugs.

The Agency is reviewing and evaluating these recommendations, along with others made by the committee.

ANTIBIOTICS IN ANIMAL FEEDS

Mr. WHITTEN. On November 13, 1985, the Secretary issued a decision denying imminent hazard petition to suspend the subtherapeutic use of penicillin and tetracycline in animal feeds. FDA stated at that time it would continue to study the issue and review the results of research efforts. How long do you propose to continue to study the issue, and what are your plans for further regulatory proposals?

Dr. YOUNG. FDA is currently completing its review of data generated by recently conducted research of the pertinent literature and of recently acquired data. Some of these data were obtaied at the January 25, 1985, informal hearing on the imminent hazard petition filed by the Natural Resources Defense Council, Inc. From this review, which should be completed late spring or early summer of 1986, FDA will review a number of options and propose a course of action concerning the notices of opportunity for hearing published in 1977.

DELANEY CLAUSE

Mr. WHITTEN. What actions are currently underway at FDA for the Agency to deal with the Delaney Clause by using de minimis/risk assessment instead of the strict definition of the Delaney Clause?

Dr. YOUNG. There are two types of actions underway at FDA. The first involves the regulation of food additives or color additives that are not carcinogenic themselves but that contain a carcinogenic impurity. On April 2, 1982, FDA announced a new policy that the Agency was considering for regulating carcinogenic chemicals in food and color additives. The new policy has since been used 13 times on a case by case basis to approve non-carcinogenic food and color additives that contain carcinogenic impurities, so long as the risk posed by such impurities is determined by risk assessment to be safe. One such approval was challenged in court and upheld in the Court of Appeals. FDA is preparing a proposal to codify the policy.

The second type of action underway involves the application of the concept of de minimis to food additives or color additives that are themselves carcinogenic, but which present a risk of cancer to the public that is so trivial, based on conservative statistical analyses, as to be the functional equivalent of no risk at all. On December 18, 1985, the Agency published a proposal concerning uses of the carcinogen methylene chloride. The Agency proposed a ban on the use of methylene chloride as an ingredient of cosmetic products and announced a tentative position that would permit the continued use of methylene chloride to decaffeinate coffee. The food additive use of methylene chloride presents an upper bound risk of cancer so low, less than 1 in 1 million per lifetime to exposed individuals, as to be essentially nonexistent. The Agency tentatively found that there would be no safety gain to the public if it interpreted the Delaney Clause to require a ban on thus use of methylene chloride. The Agency thus proposed to exercise its inherent authority under the de minimis doctrine and took the tentative position that the Delaney Clause does not require a ban in this situation. The time period for the submission of comments to the proposed rule has just recently ended, and we are reviewing the comments.

The Agency has stated that it will consider application of the de minimis doctrine to a number of color additives that have been found to be carcinogenic. On September 4, 1985, the Agency published a final rule concerning the provisional listing of certain color additives stating that it had not made a definitive determination about the application of the Delaney Clause to the color additives at issue. The Agency, however, stated, as it had in its response dated June 21, 1985, to a Public Citizen Health Research Group's petition, that the Agency believes that the de minimis doctrine could be used in applying the Delaney Clause to determine the safety of carcinogenic additives. FDA is presently evaluating a number of factual circumstances in which the concept may be applied to provisionally listed color additives.

With respect to food-producing animals, on October 31, 1985 the Agency proposed a regulation that would provide criteria and procedures for implementing what is known as the DES Proviso, which is an express exception to the Delaney Clause. The DES Proviso allows FDA to approve the use of a carcinogenic compound in food-producing animals as long as no residue of the compound is found by a chemical analytical methodology in the edible tissue of treated animals. The proviso proved to be unworkable because the development of sensitive analytical methods resulted in the detection of residues in edible tissue at levels much lower than expected when the DES Proviso was enacted.

Therefore, the Agency has, over the years, attempted to reconcile the purpose and language of the DES Proviso with the basic statutory objective of minimizing public exposure of carcinogenic compounds by developing procedures and criteria for approving methods for identifying unacceptable concentrations of residues in edible products of food-producing animals to which drugs, food additives, or color additives have been administered.

The October 1985 proposal replaces several earlier versions and refines the procedures and criteria to make DES Proviso operable by defining no residue as that concentration of carcinogenic residue that presents an insignificant risk of cancer; define insignificant risk as that concentration representing an increased lifetime risk of cancer of 1 in 1 million; provide that where a compound proposed for use in food-producing animals is found to be carcinogenic, a risk-assessment procedure may be used to demonstrate that concentration of residues of the compound that presents an insignificant risk; and provide that the sponsor of a compound must develop an analytical method for monitoring the concentration of residue in edible tissue to ensure that the residue never presents more than an insignificant risk. The comment period on the October 1985 proposal closed on February 28, 1986. FDA is currently evaluating the comments received.

MINNEAPOLIS DISTRICT LABORATORY

Mr. **Whitten**. Last year during our hearing you stated that the Minneapolis FDA office had signed a lease extension until 1989, and that you had no plans to consider relocating that office. Is that still true?

Dr. YOUNG. FDA operates 19 field laboratories. Because of reduced resources and personnel over the last several years, we now have some excess space in a number of our laboratories. Therefore, we have initiated a study of our field laboratories to determine what efficiencies might be gained through laboratory consolidation. When the study is completed, if the decision is made to close any laboratories, the affected personnel would be transferred to other laboratories where space is available. However, investigative, compliance, and administrative personnel would maintain FDA's district presence in any location where a laboratory is closed. The Minneapolis laboratory, as well as others, are candidates for closure. While a lease is in effect until 1989, it can be cancelled after May 1986, with 90 days' notice.

MODULE #1 OPERATION

Mr. WHITTEN. What is the current status of the move from Federal Building 8 to Module 1? Are the operating costs and one-time costs associated with that move still consistent with what you reported at last year's hearing? Please explain any differences in cost.

Dr. YOUNG. We estimate at this time that we will be able to move into Module 1 in August of 1986. Whether or not we do will depend in part on what we find during final inspection and how quickly the builder is able to correct any deficiencies. Although last year we reported needing $2,725,000 for costs for occupying Module 1, we intend to carefully manage the $2,608,000 available after Gramm-Rudman. We expect to use all of these funds for the move. Increases in laboratory support contracts and absorbing the $117,000 in Gramm-Rudman cuts will be partly offset by a $355,000 reduction in FY86 operating costs due to shorter anticipated occupying time for 1986.

NATIONWIDE FOOD CONSUMPTION SURVEY

Mr. WHITTEN. Has FDA been afforded the opportunity to review and help prepare the questionnaires to be used by USDA in the "Nationwide Food Consumption Survey—1987"?

Dr. YOUNG. Yes, FDA was given an opportunity to review the questionnaires. FDA provided detailed comments to USDA in a letter dated September 13, 1985. The survey is one of the many coordinated efforts we undertake with USDA. The information gleaned from the survey, in addition to helping USDA, will be helpful to us in identifying trends in the nation's nutritional habits.

SHELLFISH TAGGING

Mr. WHITTEN. In the past there have been some problems with tagging and recordkeeping of shellfish. FDA was attempting to implement improved tagging requirements by working through States and the Interstate Shellfish Sanitation Conference. What have your efforts produced?

Dr. YOUNG. In late FY 1983, FDA awarded contracts to the States of Massachusetts and New York to develop effective tagging and recordkeeping procedures. These procedures were to provide a means of identifying the source of shellfish, maintaining source identity during interstate commerce, and deterring mislabeling of illegally harvested shellfish.

Massachusetts has developed and adopted new regulations that achieve all of the contract's objectives, and New York is moving toward adopting similar control measures. Furthermore, FDA is incorporating the procedures developed by the States into a revision of the National Shellfish Sanitation Manual of Operations, Sanitation of Harvesting and Processing Shellfish, and a proposed model code for shellfish sanitation. The Agency anticipates that both of these documents will be approved by the Interstate Shellfish Sanitation Conference and will form the basis for uniform and effective national tagging and recordkeeping regulations. The ultimate effect of these procedures will be to discourage misidentification of shellfish; provide the consumer with increased confidence in the product; and, in the event of disease outbreak, permit the tracking of implicated shellfish to their source.

VOLUNTARY REGISTRATION OF COSMETICS

Mr. WHITTEN. Last year in response to a question on the voluntary registration of cosmetic related adverse reactions you stated that only 1 percent of firms eligible had filed adverse reactions and kept their formulations up to date in 1982 and 1983. With such a low percentage rate, why even bother?

Dr. YOUNG. There are several reasons for continuing and supporting this voluntary registration program.

First, notwithstanding limited participation in the program, it offers valuable information on cosmetic product compositions; frequency of use of cosmetic raw materials, which provides insight into likely consumer exposure; rates of adverse reactions on both a product category and individual product composition of proprietary raw materials; and addresses of manufacturing establishments, which facilitates inspections.

This information is very useful to us in discharging our statutory responsibility of consumer protection under the limited authority granted to FDA by the Food, Drug, and Cosmetic Act. Some of the registered information is also made available to other agencies for statistical purposes and to the cosmetic industry for self-regulatory purposes.

Also, abandonment of the voluntary registration program would greatly undermine, and possibly cause the discontinuation of, the self-regulatory programs that have been established in recent years. For example, the Cosmetic Ingredient Review has been established with the support of the Cosmetic, Toiletry, and Fragrance Association, and the fragrance material review program is conducted by the Research Institute for Fragrance Materials. Both programs compile toxicological and other data on cosmetic and fragrance ingredients. These data are used to determine the safety or harmfulness of these ingredients under customary use conditions. The CIR program also relies heavily on voluntary registration data for determining usage of reviewed ingredients and consumer exposure.

Finally, determinations on the health risks from consumer exposure to cosmetic ingredients require representative data on the effects of use of these ingredients. The voluntary registration program is a valuable source of these data.

DRUG APPLICATION SUMMARY

Mr. WHITTEN. Please submit for the record the drug application summary chart that appears on page 52 of the notes, together with a similar chart for ANDAs.

[The information follows:]

DRUG APPLICATION SUMMARY [1]

New product review	Fiscal year—				
	1983	1984	1985	1986 [2]	1987 [2]
IND's:					
Number received	1,605	1,940	1,987	1,990	1,990
Reviews/action	2,282	2,612	2,683	2,680	3,000
Number in review status over 60 days—End of year	51	119	156	160	140
Number active—End of year	7,881	9,001	10,020	10,020	10,020
NDA's:					
Applications received	256	248	[3] 166	165	165
Total actions	323	417	380	380	420
Number awaiting action over 180 days—End of year	119	144	150	150	130
Total numberr approved	115	116	92	90	90
NDA supplements:					
Original and resub. received	3,241	3,678	2,977	2,980	2,980
Total actions	2,900	3,967	3,923	3,920	4,390
Number awaiting action—End of year	2,598	3,131	2,215	2,215	1,950
Number awaiting action over 180 days—End of year	1,632	1,603	1,316	1,315	1,160
Supplements approved	1,364	1,682	2,118	2,120	2,300
ANDA's					
Review original ANDA's		470	1,059	1,000	1,000
Resubs., amendments, supplements, reports, correspondence		13,051	15,296	20,000	22,000
Review original form 6's		81	90	100	100
Resubs., amendments, supplements, reports, correspondence		4,454	4,916	5,000	5,000

[1] As shown in Congressional budget justification, 1986 data in particular are estimated and will change as the Gramm/Rudman sequestration of funding is implemented.

[2] Estimate.

[3] The number reported in 1985 is less than in preceding years because "Paper NDAs" were transferred to Generic Drug Evaluation as a result of the Drug Price Competition and Patent Term Restoration Act of 1984.

DRUG SHORTAGE MONITORING PROGRAM

Mr. WHITTEN. What has the drug shortage monitoring program found for the past year?

Dr. YOUNG. During fiscal year 1985, four drug shortages were reported. Those reported were morphine sulfate powder, synthroid injection, rauwolfia serpentina, and acacia. A pharmacist reported a shortage of morphine sulfate powder because he believed that Mallinckrodt no longer marketed this dosage form. Our investigation found that Mallinckrodt supplies the drug to whole sale distributors. The pharmacist was given the names of local distributors. Synthroid injection was temporarily in short supply because the manufacturer encountered equipment installation problems. In the interim, the manufacturer maintained an emergency supply available upon request. A temporary delay in manufacturing rauwolfia serpentina occurred when a new vendor began supplying the drug to manufacturers. This situation has been corrected. The last drug, acacia compound employed as a suspending agent, emollient, and demulcent for pharmaceutical preparations, was reported to be in a potentially severe worldwide shortage. Countries supplying acacia which meet USP specifications are in critical short supply. The acacia shortage is likely to result in formulation changes and supplemental NDA and ANDA applications in the near future.

ST. LOUIS LABORATORY

Mr. WHITTEN. Please provide a status report of the work done at the St. Louis Laboratory of the Division of Drug Analysis during the fiscal year 1985.

Dr. YOUNG. I am pleased to provide for the record an executive summary of accomplishments during fiscal 1985. It should be noted, however, that the work assignments for FY 1986 will change markedly. In connection with our reprogramming of resources to new drug review additional assignments were made to the Division of Drug Analysis. These include method validations for new drug applications and serving as the Government collaborating laboratory for the acceptance of U.S. Pharmacopeia (USP) reference standard material. This increase in Abbreviated New Drug Applications, New Drug Applications, and USP reference work will necessarily reduce the accomplishment of routine surveillance work.

[The information follows:]

DIVISION OF DRUG ANALYSIS

U.S. Food and Drug Administration
1114 Market Street
St. Louis, MO 63101

Executive Summary of Accomplishments: Fiscal Year 1985

Staff Level

The Division of Drug Analysis operated with 50 full-time person equivalents.

Publications

Papers written or coauthored by Division of Drug Analysis personnel appeared as journal articles (1-6) and FDA publications (7, 8).

A computer model that simulates laboratory operations and production scheduling at the Division of Drug Analysis was described (4). The model was based on established empirical relationships between laboratory personnel, the number of laboratory samples awaiting analysis, and the number of samples that will be completed during ensuing time periods. Scheduling heuristics determined allocation of resources to laboratory activities.

Division personnel developed procedures for the determination of total epinephrine, the ratio of d- to l-epinephrine, and decomposition products in lidocaine-epinephrine local anesthetics (1, 6). In the measurement of the d/l enantiomeric ratio, a derivative of epinephrine with a chiral reagent permitted separation of the isomers on reverse-phase, high-pressure liquid chromatographic columns. The methods were devised to determine whether epinephrine, initially formulated as the more active l-isomer in local anesthetics, racemized upon storage to the less active dl mixture. Analysis of about 70 samples showed that, even after the expiration date had passed, most contained 5% or less of the d-epinephrine isomer.

During a survey of nitrofurantoin products, a previously unidentified impurity was noticed in the high-pressure liquid chromatogram of an oral suspension. Division personnel identified the impurity as 3-(5-nitrofurfurylideneamino)hydantoic acid and discovered that it was generated by the presence of citric acid, an excipient in the oral suspension (5). The concentration of the impurity ranged from 20 to 300 µg/mL in several lots of commercial oral suspension. An efficient synthesis of the hydantoic acid impurity was achieved by treatment of nitrofurantoin with citrate buffer; selective hydantoin ring cleavage was accomplished in preference to the generally observed cleavage at the azomethine linkage. The hydantoic acid was identified by an independent method of synthesis and by NMR, IR, TLC, and elemental analyses.

As a part of our long-term effort to mechanize the sample preparation of tablets and capsules, Division personnel published a case history of the development of a continuous-flow analyzer equipped with a robotic arm and electronically controlled valves for sample introduction (2). A microprocessor subsystem controlled the arm, and the valves were controlled by the main microprocessor system. A serial (RS 232) interface provided control information to the robotic module for movements and timing. The FORTH computer language was used to obtain adequate program execution speed, maximum reprogramming capability, and minimum debugging effort. The low-cost robotic module provided the critical timing and sequence of solution introduction required for successful operation of a continuous-flow analyzer.

The source of optical artifacts in circularly polarized luminescence was examined by application of the method of Mueller matrices. Expressions developed for the circularly polarized luminescence intensity illustrated that the artifact in most cases was due to the small inherent birefringence in the photoelastic modulator employed in the experimental measurements (3)[a].

Division personnel also provided high-pressure liquid chromatographic methods for the analysis of erythrityl tetranitrate, isosorbide dinitrate, and pentaerythritol tetranitrate (7), and for the assay of individual probenecid tablets (8).

Summaries of Current Projects

Abbreviated New Drug Applications -- Analysis of Bulk Drug Substances

One hundred sixty-two batches of active drug substances were analyzed in support of the Division of Generic Drugs review of Abbreviated New Drug Applications (ANDAs; see Table 1).

Drug Quality Assurance

The Division was recognized by the United States Pharmacopeial Convention as "a notable source of new analytical methods and contributions to the refinement of established methods" (USP XXI, Preface/Preamble, p. 1).

Seven Drug Product Surveillance studies were completed in FY 85 (Table 2). Additional samples were analyzed in support of the Government Wide Quality Assurance Program (GWQAP) and the Process Validation Program.

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[a] This work was performed while Mr. Timper was a graduate student and before his employment at the Division of Drug Analysis.

The "mail-in" program is designed to study the stability of drugs under actual market conditions; it was continued in FY 85 in cooperation with the American Society of Hospital Pharmacists. Table 2 shows the number of samples analyzed and the percentages of defective batches for the drug products whose analyses were completed in FY 85. The following products are currently being studied: quinidine sulfate tablets, capsules, and injections, thiopental sodium injections, and liquid dosage forms of chlorpromazine hydrochloride, perphenazine, prochlorperazine edisylate, promethazine hydrochloride, and trifluoperazine hydrochloride.

The Division of Drug Analysis performed over 70,000 analyses on 2,010 batches of drugs in FY 85. Eighty-five batches (4.2%) failed to meet the compendial or FDA-imposed requirements for the products. The number of defective batches in each of the program areas and the reasons for the classification as defective are shown in Table 1.

At the request of the Center for Drugs and Biologics, the Division received for analysis a water-soluble Vitamin E product, intended for intravenous injection and labelled to contain 25 mg of α-tocopherol acetate, 90 mg of Polysorbate 80, and 10 mg of Polysorbate 20 per mL; Division personnel collaborated with FDA's Elemental Analysis Research Center, Cincinnati, in the examination of the product for contaminants by gas-liquid chromatography, gas chromatography/mass spectrometry, high-performance liquid chromatography, and inductively coupled plasma emission spectroscopy. The contaminants identified were isopropyl alcohol, dibutylamine, N,N-dimethylcyclohexylamine, 2-mercaptobenzothiazole, and zinc, all but the first arising from the rubber stoppers used in the product containers. This work has been submitted for publication.

The Division of Drug Analysis continued its long-term effort to mechanize the sample preparation of tablets and capsules. Division personnel consulted with engineers at the Winchester Engineering and Analytical Center on the design of the second version of an automatic sample preparer, which will put the active drug ingredient into solution from 30 individual tablets or capsules loaded in vials placed in a rectangular sample tray. The Division's new Robotic Liquid Sampler was tested under routine laboratory conditions, and a revised operator's manual and extensive documentation of the FORTH programs were completed.

Division personnel extended their previously published procedures to allow synthesis of reference standards of the sulfoxides of chlorpromazine, perphenazine, and proclorperazine; the sulfoxides of these major tranquilizers are often seen as impurities during the analysis of commercial dosage forms.

A new thermal energy analyzer detector was installed on one of the Division's gas chromatographs; this detector, which is highly specific for nitroso, nitro, or nitrogen compounds depending on the operating temperature selected, will be of great use in the analysis of drugs for nitrosamines.

Biopharmaceutics

The Division of Drug Analysis obtained dissolution profiles on three sustained-release theophylline products in four media. Portions of these samples were sent to the university contracted to do the in-vivo study. This work was done to aid the Division of Biopharmaceutics address the problem of dose dumping of theophylline taken with meals.

Other Activities

Several multiplexer (MUX) interface panels were installed throughout the Division's laboratory and office space; these panels allow up to eight serial (RS 232) devices to communicate over a single, multiplexed channel with the Division's central minicomputer. During installation several difficult problems had to be diagnosed and corrected by the Division's computer specialists and consultants.

The Division has acquired two Hewlett-Packard 1040A diode-array, uv-visible detectors for high-pressure liquid chromatography systems. As supplied by the manufacturer, only qualitative information (spectra, retention times, chromatograms, etc.) may be generated. Division personnel wrote complex programs to cause the 1040A to emulate a Hewlett-Packard 3390 integrator; this custom software permits integration of peak areas after the chromatographic data have been obtained and stored on disk. Division personnel also prepared a set of slides and an accompanying script that demonstrate the qualitative capability of the 1040A detector; this material was provided to twelve FDA District Laboratories.

Although the Division makes heavy use of high-pressure liquid chromatography, there is, as yet, no implemented automatic transfer of data from the analytical systems to the central computer. Thus, much manual data entry takes place. In 1984, the Division instituted a high-priority, long-term research program to provide direct, automatic data transfer between Waters liquid chromatographs and the Hewlett-Packard System 1000 computer. The Waters Data Transfer Module was designed to intercept useful data flowing through the digital circuits of a Waters high-pressure liquid chromatograph, store the data, and transmit them after the run is completed to another computer for data reduction and report writing. As supplied by the manufacturer, the Data Tranfer Module transmits short blocks of data, which "lock up" the Hewlett-Packard System 1000 computer and prevent it from processing other necessary timed-shared operations. Thus, as supplied, the

Waters Data Transfer Module was of limited use in the Division's laboratories. Division personnel and consultants modified the factory-supplied programs, resident in the Data Transfer Module's memory chips (EPROMs), to allow transfer of large blocks of data; wrote routines in FORTRAN on the Hewlett-Packard System 1000 minicomputer to accept data simultaneously from eight Data Transfer Modules at an extremely high transmission rate (9600 baud) without loss of data; worked out the protocols and set-up procedures required to use the Hewlett-Packard MUX interface; and programmed the Hewlett-Packard System 1000 computer to manipulate the data, provide a user interface, and allow worksheets to be written by the computer from data received on-line from Waters high-pressure liquid chromatographs. Only a short final test is required before the system may be installed in our laboratories.

Another complex program was written to allow the Hewlett-Packard System 1000 computer to accept and manipulate data from Hewlett-Packard 3390 series integrators; this program is a start toward networking gas and high-pressure liquid chromatographs with the Division's central minicomputer; the eventual goal is to produce on-line worksheets automatically from any chromatographic instrument.

The master programs for the graphics workstation, which operates on a time-shared basis with the Hewlett-Packard System 1000 computer, were improved by Division personnel and consultants; the programs allow various Hewlett-Packard subroutines to be used easily by laboratory staff to prepare slides for lectures, posters for presentation of papers at scientific meetings, electrical schematics, and attachments to analytical reports.

Division personnel interfaced an Intermec bar-code reader with the Hewlett-Packard System 1000 minicomputer. The bar-code reader is being used to log in samples received under the Mail-In Program. The bar-code labels are printed at the Division and mailed to Product Surveillance Branch, who sends them to the submitting pharmacies.

An on-line data-retention system was designed and installed by Division personnel. All data calculated by the System 1000 computer are now captured and stored on disc. District offices are currently receiving, by electronic mail, monthly summaries of the results of within-limits samples.

The use of forms-driven menus is increasing at the Division, and a menu-driven laboratory management information system is being planned.

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Table 1. Defective Batches Found in Each of the Program Areas at the Division of Drug Analysis in FY 85.

	Program Area			
Defect	Drug Product Surveillance	Mail-In	Process Validation	ANDA
Strength	4	20		
Content Uniformity	10	21		
Dissolution	6		1	
Other[a]	16	3	1	3
Totals	36	44	2	3

[a] Alcohol, limit tests, impurities, etc.

Table 2. Drug Quality Assurance Studies Completed at the Division of Drug Analysis in FY 85.

This table presents results of laboratory findings and includes the percentage of all types of defects observed. These percentages do not necessarily reflect the quality of all the drugs on the market since some of the studies are conducted on drug categories in which high defect rates are suspected.

Study No. and Name	Batches Analyzed	Defective batches, %[a]
84-01 Nitroglycerin Transdermals	43	2.3
84-02 Coronary Vasodilators	182	3.3
84-54 Adrenergics	39	4.3
84-55 Reserpine with Hydralazine and Hydrochlorothiazide	23	17.4
84-56 Conjugated Estrogens	49	18.4
85-01 Steroid Estrogens	49	0
85-03 Phendimetrazine	38	0
Process Validation:	142	2.1
ASHP-FDA Mail-In Program:		
Aminophylline Tablets, Capsules, and Injections	163	1.2
Levothyroxine Sodium Tablets and Injections	208	6.7[b]
Liothyronine Sodium Tablets	9	77.8[b]
Liotrix Tablets	35	31.4[b]
Nitrofurantoin Tablets, Capsules, and Injections	47	6.4
Theophylline Tablets and Capsules	158	0

[a] Percent of batches not meeting compendial or FDA-imposed requirements.

[b] Samples analyzed by new, specific methodology presented in USP XXI. These products were manufacturered and distributed before the new compendial standard(s) became official.

BIO-RESEARCH MONITORING

Mr. WHITTEN. What is the agencywide budget for bio-research monitoring in both staffyears and dollars for fiscal years 1985, 1986, and 1987? Why has there been a steady decline in the staff years assigned to ths activity?

Dr. YOUNG. For 1985 the Agency expended $9.4 million and committed 205 full-time equivalents—FTEs—for bioresearch monitoring. We estimate that in FY86 we will expend 196 FTEs and $9.2 million and in FY87 195 FTEs and $8.9 million. The decline in staff-years assigned to this program is due to the general decline in recent years in total resources available to the Agency and reprogramming of resources to higher priority programs. This has been accomplished without compromising the Agency's ability to assure that clinical and non-clinical investigations are conducted in a scientific manner that will offer protection of the rights and welfare of human subjects participating in clinical trials and will produce valid bioresearch data.

ADVERSE EXPERIENCE REPORTS

Mr. WHITTEN. Do you have evidence to suggest that due to FDA reporting requirements for adverse experience reports that physicians and hospitals don't report adverse incidents that they observe?

Dr. YOUNG. It is well known that only a small fraction of adverse reactions occurring to patients on drugs actually get reported to us. It is estimated that less than 5 percent of all adverse reactions are reported to the FDA. We are exploring, through two pilot contracts with state health departments, new methods to encourage and simplify the direct reporting from physicians of adverse reactions to FDA.

As for why many physicians and hospital staff do not report adverse incidents they observe, we suspect that because reporting requirements apply to manufacturers, not to them, other demands on health professionals' time may lead them to forego voluntary reporting. We have evidence that requirements for manufacturers to report adverse drug reactions or medical device injuries to FDA deter health professionals from reporting these incidents to us. We sometimes hear allegations that health professionals may be deterred from reporting adverse experience with drugs and devices because of concerns about personal liability, unwillingness to become involved in potential product liability suits against manufacturers, or concerns that their reports may be available to the public under the freedom of information act. On the latter point, health professionals may not be aware that their names would be deleted from the reports.

PATIENT EDUCATION RESOURCE CENTER

Mr. WHITTEN. Please describe some of the work in the past year accomplished by the Patient Education Resource Center.

Dr. YOUNG. Within the past year, the Patient Education Resource Center—PERC—with the help of the National Council on Patient Information and Education—NCPIE—published a directory entitled "Prescription Drug Information and Education Programs and Resources." This directory describes a wide variety of prescription drug information and education programs including medication teaching classes, prescription drug information programs, hospital pre-discharge counseling programs, statewide campaigns, communication and compliance aids, studies and surveys, audiovisuals, training programs, and printed educational materials from 150 public and private health care organizations, federal and state government agencies, and private companies. Entries describe programs and available resources and materials. A title index includes all the directory items, and two separate indexes list programs, materials, and resources by subject, disease, and condition.

Also, the PERC is constantly responding to written and telephone requests from consumers, health professionals and other individuals who want information about health and/or patient education.

The PERC also receives copies of new books or other publications that pertain to health, diseases, drugs and patient information and education and/or educational materials as they appear in monthly medical journals and other sources, keeping the Center as up-to-date as possible.

INTERFERON

Mr. WHITTEN. last year you described several new possible uses for the treatment of viral disease with interferon. Could you bring us up to date on the potential uses of interferon?

Dr. YOUNG. The clinical use of interferon for the prophylaxis and treatment of several viral diseases has been examined over the past twenty-eight years. Although many preliminary studies have been performed using interferon as an antiviral agent, it is still necessary that randomized blinded placebo-controlled trials be done prior to evaluating the efficiacy of interferon for viral infections. Treatment of herpes virus infections, such as Herpes Zoster, Herpes Labialis, and AIDS HTLV-III, with interferon appears to be beneficial in some cases. Combination therapy utilizing interferon has been found useful for herpetic dendritic keratitis and hepatitis B infections. Perhaps the area of maximum clincial benefit with interferon is in the treatment of virus-associated papilloma and warts such as juvenile laryngeal papilloma, condyloma accuminata and chronic cutaneous warts. The intranasal administration of interferon appears to offer some protection against rhinovirus infection, although its value as a prophylactic agency requires further study. Treatment of other viral infections such as cytomegalovirus and rabies have been less successful.

BACTERIAL AND ALLERGENIC PRODUCTS

Mr. WHITTEN. Please detail the manpower and dollar resources alloted to approval of bacterial and allergenic products in fiscal years 1985, 1986, and 1987.

[The information follows:]

BACTERIAL AND ALLERGENIC PRODUCTS

	FTE	Amount
1985	94	$5,472,000
1986	90	5,328,000
1987	89	5,687,000

DPT VACCINE

Mr. WHITTEN. From 1984 through 1985 there was an inadequate supply of DPT vaccine. What is its status now?

Dr. YOUNG. Although the present supply of DPT vaccine is considered adequate to meet current needs, the situation is still critical. DPT absorbed vaccine is presently available from three commercial manufacturers—Connaught Laboratories, Inc., Lederle Laboratories, and Wyeth Laboratories—and two state laboratories—Michigan and Massachusetts.

Lederle has recently announced that they are experiencing difficulties in obtaining liability insurance coverage and may need to leave the market unless other arrangements can be made. If one manufacturer were to leave the marketplace or experience problems in the manufacture or testing of vaccine, we would be faced with a situation in which the vaccine supply may be considered as marginal at best and could result in insufficient vaccine to meet current national needs.

The Centers for Disease Control, CDC, has contracted with Connaught Laboratories, Inc. to provide 3,960 million doses of DPT vaccine by July 31, 1986 for the CDC vaccine stockpile, though none have been accumulated for the stockpile to date. The vaccine stockpile is intended to serve as a safeguard against short-term—6 months or less—interruptions of vaccine manufacturing capacity. However, the stockpile is not a substitute for dealing with the issue of the availability of affordable liability insurance, which is a greater threat to vaccine supplies today. Once the stockpile supply was exhausted, it could not be replenished if no manufacturers remained in the vaccine market then because of the lack of liability insurance.

HAEMOPHILUS INFLUENZAE VACCINE

Mr. WHITTEN. Can you describe the use and impacts of the relatively new vaccine referred to as Hib?

Dr. YOUNG. *Haemophilus influenzae* type b (Hib) is a major cause of serious, invasive infections, including meningitis, epiglottitis, and septic arthritis, in infants and children. It is the major cause of bacterial meningitis, accounting for an estimated 12,000 cases annually primarily among children under 5 years of age according to statements of the Advisory Committee on Immunization Practices. Mortality has been estimated at 5 percent with neurologic consequences in as many as 25 to 35 percent of the survivors. It has been estimated that one of every 1,000 children under 5 years of age in the U.S. develops Hib disease each year, thus leading to a cumulative risk of developing systemic disease at some time during the first 5 years of life at about one in 200. Although the peak of Hib disease, primarily meningitis, is in children under one year of age, approximately 35 to 40 percent of disease, such as epiglottitis, occurs among children 18 months of age and older, and 25 percent occurs above 24 months of age. Incidence rates are increased in certain high risk groups, including, according to some reports, children attending day-care facilities. However, estimates of disease incidence may vary among studies. There is no national reporting system of systemic *haemophilus influenzae* disease, thus making comments on the impact of the use of vaccine on incidence of disease difficult at this time.

The first license for Haemophilus type b Polysaccharide Vaccine was issued to Praxis Biologics in April 1985, but additional licenses were issued to Lederle Laboratories and Connaught Laboratories, Incorporated in December 1985. Recommendations for its licensing and use were based primarily on the results of a study performed in Finland in which an Hib vaccine was shown to be effective in preventing disease in children over 18 months of age. The vaccine was not effective in children less than 18 months of age. The immune response to vaccination is age-related. The proportion of children responding and the mean level of antibody response increased between 18 and 24 months of age. Both the Advisory Committee on Immunization Practices and the American Academy of Pediatrics Committee on Infections Diseases have recommended the use of this product for all children at 24 months of age. The vaccine is not recommended for children less than 18 months of age, but may be given to those between 18 and 23 months who are deemed to be at high risk, for example, attending day care centers. Children older than 24 months may be given vaccine as well when deemed appropriate.

According to a statement in the March 7, 1986 issue of CDC's Mortality and Morbidity Report, over 3 million children have been immunized. FDA, CDC and the manufacturers are monitoring the passive reports of adverse reactions and the reports of Hib disease occurring in children following immunization. Manufacturers have established or will establish post marketing surveillance systems to provide more complete information on adverse effects.

HEALTH FRAUD

Mr. WHITTEN. Please provide an update of FDA activities concerning health fraud.

Dr. YOUNG. I am pleased to describe the recent actions we have taken to combat the marketing of products which present consumers with serious direct and indirect health hazards. In addition, I will furnish for the record a copy of our most recent status report on FDA health fraud activities.

In the past, FDA's policy in the area of health fraud has been aimed chiefly at detecting and removing from the market fraudulent products which present consumers with direct and serious indirect health hazards. In 1985 the commitment to increase activity to combat health fraud became one of the goals of the Agency's Action Plan.

This commitment has taken several forms. Resources have been devoted to field operations generated by various regulatory initiatives, such as "chelation therapy" and "cytotoxic testing." The Tipped Off or Ripped Off" pilot program has been initiated to combat device fraud by combining enforcement actions with information initiatives and publicly identifying fraudulent, deceptive of mislabeled non-prescription devices when firms fail to come into compliance after adequate warnings. FDA has sponsored national, regional and local conferences and education programs dealing with health fraud either alone or in conjunction with other Federal, state and local government agencies, institutions and consumer groups.

During FY 1985, FDA forwarded 10 medical fraud cases to the Department of Justice for filing. The cases consisted of nine seizures and one prosecution. These actions included one prosecution and four seizures of drug products, four seizures of human foods one seizure of medical devices.

In January of this year, formal guidance was issued to our field units which outlines responsibilities of various FDA units and establishes priorities for investigating potentially fraudulent products.

Typical fraudulent product categories include amino acid products with exaggerated therapeutic claims, rejuvenation drugs, unproven weight reduction products, and those offered for use in oral chelation therapy. In fiscal year 1985, the Health Fraud Staff approved 99 regulatory letter recommendations and 9 recommendations for seizure. For the first half of fiscal year 1985, 28 regulatory letter recommendations and 10 seizure recommendations were approved.

Fraud Bulletins issued in the past twelve months have requested field investigations of products containing the steroidal hormone, dihydroepian-drosteron—DHEA, offfered for weight reduction; over-the-counter vitamin-mineral combination oral chelation products promated for treatment and prevention of occlusive vascular disease and related disease conditions; and products containing monoxynol-9 claiming to prevent or treat AIDS.

On February 21, 1986, at the request of FDA, the United States District Court for the District of Oregon enjoined KC Laboratories and Manna International Company, et al, from further manufacturing and distributing products containing blue-green algae and sold under the trade name, "Manna." Products were promoted for the prevention, treatment, and cure of a variety of diseased including Alzheimer's Disease, heart trouble, skin disturbances, allergies, prostate problems, lack of sex drive, emotional problems and alcoholism. The Court ordered the defendants to immediately recall all blue-green algae products from the more than 2,500 distributors involved in marketing the products.

FDA will continue to investigate and initiate formal regulatory sanctions as necessary against those firms marketing fraudulent products. There are a number of such cases currently in various stages of development. In addition to these regulatory actions, we have initiated a strong nationwide educational effort to inform and alert potential consumers of the serious hazards these products present.

[The information follows:]

Health Fraud
Status Report - January 1986

Health fraud is the promotion of false or unproven products or therapies for profit. According to a congressional subcommittee, health fraud is big business costing consumers more than $10 billion a year. Health fraud promoters prey on the hopes of consumers for miracle cures for their illnesses and other problems. While some consumers may lose only money, health fraud can also lead to tragic consequences.

In order to combat health fraud, FDA has designated this problem as one of the Agency's top priorities. The Agency uses a combination of enforcement and education to combat health fraud.

When FDA finds a violation of the law, the Agency's decision on appropriate action is based on the health hazard potential of the violative product, the extent of the product's distribution, the nature of any mislabeling that has occurred, the jurisdiction of other agencies, and available resources. FDA has developed a priority system of regulatory action based on three general categories of health fraud: direct health hazards, indirect hazards, and economic frauds.

When a direct health hazard is involved, FDA takes immediate action, i.e. seizure, injunction or recall. When the hazard is economic, regulatory action may not be the best way to deal with health fraud. In those cases, FDA concentrates on education and information efforts to alert the public about fraudulent products. Both education and enforcement are enhanced by coalition building and cooperative efforts among government and private agencies at the national, state, and local levels. Also, evaluation efforts help ensure that our enforcement and education initiatives are correctly focused. The remainder of this report will focus on the education/information, coalition building, and evaluation aspects of FDA's health fraud initiative.

EDUCATION AND INFORMATION

Educating the public may be the best way to prevent economic rip offs. An educated consumer is less likely to be taken in by fraudulent claims, and more likely to develop a healthy skepticism about anything that sounds too good to be true.

FDA and other organizations have worked together to provide consumers with the information they need to avoid health fraud. The Agency has produced and distributed materials on health fraud including 14 publications, 2 slide presentations, 4 exhibits, and 2 videotapes. In addition, FDA, FTC, USPS, and the Pharmaceutical Advertising Council (PAC) have produced a joint health fraud brochure. This brochure is a symbol of the agencies' cooperative efforts to combat health fraud and educate the public. The publication is available in English and Spanish, and is being distributed by FDA and the Consumer Information Center in Pueblo, Colorado.

FDA, in conjunction with the Council of Better Business Bureaus (CBBB), has also conducted mailings to newspapers, magazines, and radio and television stations. These mailings provided important information for reviewing advertisements and selecting guests for talk show programs. The letters also suggested checking with local FDA and CBBB offices when advertising sales personnel have questions about the validity of claims made in proposed advertising for health products or medical services.

As a follow up to the original, general mailings, CBBB and FDA began a series of special reports on specific types of health quackery products and questionable claims for them. The first of these reports, done in cooperation with the Arthritis Foundation, dealt with arthritis fraud. The second report addressed weight loss fads.

Also, the Agency has established on a pilot basis for medical device products a "Health Fraud Notice" section in FDA's weekly Enforcement Report. On a selective basis, FDA sends "Notice of Adverse Findings" letters and in some cases "Regulatory Letters" to promoters of fraudulent devices, stating that their products are misbranded and the labeling must be changed to remove all false or misleading medical claims. If a promoter fails to comply with FDA's request to delete from labeling and promotional copy deceptive statements, exaggerated health claims, and unsupported testimonials, FDA publishes the name of the firm in the "Health Fraud Notice" section. The listings are likely to be used by state and local consumer units, Better Business Bureaus, and others who receive questions from potential purchasers. Such listings do not preclude further legal or regulatory action by FDA.

FDA and the Pharmaceutical Advertising Council (PAC) have developed a new public service campaign that uses all media to provide the public with information about how to recognize, avoid, and help stop health frauds. Research will be conducted among target audiences to track awareness of health fraud and to determine results of the campaign.

At a press conference in December 1985, FDA and PAC announced the initiation of this national campaign against quackery. It includes 30-second TV and 60-second radio spots; a print public service announcement with different versions for newspapers, magazines, and medical publications; and a brochure with additional information on recognizing quack treatments and products. The print and broadcast public service announcements are being distributed to more than 25,000 television and radio stations, newspapers, and magazines nationwide.

COALITION BUILDING

The health fraud problem is too big and complex for any one organization to effectively combat by itself. Therefore, FDA is working closely with many other groups to build national and local coalitions to help combat health fraud. By sharing and coordinating resources, the overall impact of our efforts to minimize health fraud will be significantly greater.

In order to help build coalitions to combat health fraud, several regional conferences were conducted through the joint efforts of FDA, the National Association of Consumer Agency Administrators (NACAA), FTC, CBBB, USPS, the Arthritis Foundation, and the American Cancer Society.

Also, on September 11, 1985, FDA, FTC, and USPS cosponsored a National Health Fraud Conference in Washington, D.C. This was the first national conference on health fraud since 1966, and was attended by approximately 250 representatives of federal, state, and local agencies, independent public interest groups, and industry associations. The goal of the conference was to heighten the awareness of health fraud in America, and to facilitate the cooperation of the various concerned agencies in addressing the problem at the highest policy-making levels in the public and private sectors.

A Health Fraud Resource Book was distributed at the National Health Fraud Conference. The Resource Book is the beginning of an ongoing effort by those interested in combating health fraud to exchange information. This book, a collection of public and private sector organizations' current and planned activities to combat health fraud, is designed to share information, avoid duplication of effort, and encourage joint initiatives in the future.

In addition, it was announced at the conference that FDA and NACAA plan to conduct a demonstration Health Fraud Information Exchange Network. The network will share information from FDA, FTC, USPS, and NACAA agencies. Based on the success of the demonstration and the availability of funding, this network may be expanded to include other organizations.

During 1986 the Food and Drug Administration is holding regional health fraud conferences in cities all across the country. These local conferences will serve as the impetus to develop new, and expand ongoing, health fraud activities and form coalitions with state and local officials, community groups, and professional organizations. Past experience has indicated that local efforts can be very effective in addressing the health fraud problem. The conferences will focus on particular community needs. Local public and private sector organizations will be encouraged to work together to develop strategies to combat health fraud and to educate the public.

In addition to these efforts, FDA is particularly interested in building coalitions with organizations that are attempting to educate Hispanic and elderly consumers about health fraud. The Hispanic population now numbers over 15 million in the continental United States. A large proportion of Hispanics are isolated by living arrangements (e.g., in inner city barrios) or by difficulties with the English language. This isolation can contribute to a climate in which victimization happens without public scrutiny. The same isolation can limit access to consumer information and agencies that would be available for others concerned about health fraud. Two initiatives targeted to Hispanics include a conference for Hispanic leaders, and a program to examine Hispanic magazines and newspapers.

In February 1986 FDA and the National Coalition of Hispanic Mental Health and Human Services Organizations (COSSMHO) will hold a regional health fraud conference for Hispanic leaders. The conference, to be held in San Antonio, Texas, will focus on the aspects of health fraud that are unique to, or have a special impact on, the Hispanic community. The conference is part of an ongoing effort to reach all segments of the population with information about health fraud.

Hispanics may be subject to additional advertising pressures from Spanish language publications, particularly those originating in other countries and sold in areas with high Hispanic populations. Therefore, COSSMHO, FDA, and USPS are conducting a program to examine Hispanic magazines and newspapers for health fraud promotions involving the use of the mails. They will identify any promotions that might need special attention or follow-up action by the regulatory agencies.

Senior citizens are frequently targets of health fraud because they have the medical conditions for which fraudulent treatments often are devised, and they provide promoters a large, vulnerable market. Almost half of the people over 65 years of age have at least one chronic condition, such as arthritis, hypertension, or a heart condition. FDA and other groups are working together to educate the elderly about health fraud.

During 1985 FDA presented workshops on health fraud to key program managers and staff members in the National Council of Senior Citizens (NCSC). NCSC is sharing this health fraud information with their nationwide network of over 4,000 affiliates.

FDA worked with project directors in ACTION's Older Americans Volunteer Program to provide health fraud information to elderly consumers in their respective communities. As part of this effort, FDA presented a workshop on prescription drugs and health fraud to the project directors in July 1985.

In 1985 the American Association of Retired Persons (AARP) featured interviews on health fraud on their "Modern Maturity" television program. These interviews included FDA Commissioner Frank Young and a representative from the Arthritis Foundation. In addition, AARP is planning two other major health fraud initiatives -- reprinting the FDA/PAC health fraud brochure and developing a new slide/tape program on health quackery. The brochures and the slide/tape program will be made available to all AARP chapters.

FDA plans to participate in future workshops and other programs to educate elderly consumers about health fraud. One of these programs is a health fraud workshop at the Annual Conference of the National Council on Aging to be held in April 1986. FDA also plans to participate in the National Council of Senior Citizens annual meeting scheduled for July 1986.

In addition, FDA is currently discussing with health professional organizations ways and means to impart information and to encourage the health professional community's active involvement with others in combating this insidious problem that plagues the American public.

EVALUATION

Although there have been several estimates of the costs of health fraud, these calculations have not been based on hard data. Also, information about those people affected by health fraud is often conflicting. More systematic, statistically reliable surveys and research are needed in order to better focus and target public and private health fraud activities.

In connection with the FDA/Pharmaceutical Advertising Council joint public service campaign to educate physicians and consumers about health fraud, the Pharmaceutical Advertising Council contracted for two studies to determine consumers' and physicians' perceptions of the nature of health fraud.

One of these surveys was sent to 10,000 U.S. residents, randomly selected. Since the response rate was 7.2 percent, the results cannot be projected to the population as a whole.

However, the preliminary reports from this survey indicate that the respondents were aware of health fraud advertising (82 percent had seen or heard such advertising in the last year). Also, almost half of the respondents (49 percent) claim that they or a family member have purchased a health product or service that did not work. Weight reducers constitute the largest class of products that fail to work, mentioned twice as frequently (31 percent) as the next two, arthritis products/ treatment (15 percent) and "products to make you look better" (14 percent).

Almost all consumers surveyed said they considered health fraud a serious problem. Asked to identify one of the worst things about quackery, respondents said that it costs people needless expenditures of money (95 percent), delays people seeking legitimate care (93 percent), and causes direct physical injury to people (73 percent).

A second study selected a random sample of 2000 physicians from the AMA universe of physicians involved in direct patient care. Since the response rate of usable returns was only 11.2 percent, the results cannot be projected to the entire population of physicians.

Overall, physicians who answered the survey indicated that the problem of health fraud or quackery is a serious one. Physician response indicated that 32 percent felt that the incidence of discussions with patients about health fraud is increasing, while 61 percent felt that the incidence is remaining constant. Half of the respondents believe that people are becoming more willing to try questionable treatments, and forty percent felt that the public was relying less frequently on physicians as a source of information about questionable medical products or practices.

The Food and Drug Administration and the Department of Health and Human Services are conducting a national health fraud survey. The survey will help provide the information to effectively target and focus public and private sector activities devoted to combating health fraud. The survey will provide reliable measure of the reasons why consumers have used various fraudulent products. It will also explore attitudes and beliefs with regard to these products. The survey, which has already been reviewed by experts inside and outside the government, will be conducted under contract with Louis Harris and Associates.

HEALTH FRAUD RESOURCES

Mr. **Whitten**. What resources did FDA commit to health fraud in fiscal years 1985 and 1986? What do you anticipate spending for the Drugs and Biologics Fraud Branch in fiscal year 1987?

Dr. **Young**. In FY 1985, FDA committed $1,800,000 and 40 FTEs in total to health fraud activities. In FY 1986, $1,770,000 and 39 staffyears are planned. For FY 1987, we plan for the Drugs and Biologics Fraud Branch to utilize about 8 FTEs at a cost of about $350,000 but our total health fraud activities are planned for about 39 FTEs at an estimated cost of $1,900,000.

DRUGS FOR MINOR SPECIES

Mr. **Whitten**. What progress have you made in the past year regarding drugs for minor species and/or companion animals?

Dr. **Young**. FDA's Minor Use Animal Drug Development program is intended to encourage the development of research projects in the area of minor use animal drugs and have a positive impact on minor use/minor species drug development efforts. Through this program two drugs have been approved during the past year for use in minor species: Ivermectin to treat warbles in reindeer, and Amprolium for coccidiosis in pheasants. Also, a Public Master File for the use of Oxytetracycline against gaffkemia in lobsters was published during the past year.

Also as a part of this program, FDA sponsored a symposium on minor use animal drug research in September 1985. The symposium was co-sponsored by the Consortium for Research on Minor Use Animal Drugs. The purpose of the conference was to present and discuss comparative pharmacologic/toxicologic research involving the metabolism, pharmacokinetics, and physiologic effects of drugs and chemicals in minor food animal species.

FDA also funded the third InterRegional-4/Food and Drug Administration Workshop for Minor Use of New Animal Drugs, held in September 1985. The overall mission for the third workshop was to define prevalent diseases and drug needs for minor species and minor uses; set priorities for drugs that should be developed for prevalent diseases; develop research protocols, if necessary; and report on the combined efforts of FDA's Center for Veterinary Medicine and the IR-4 Project in the development and approval of new animal drugs for minor species.

SURVEILLANCE ADVISORY TEAM

Mr. **Whitten**. What has the Surveillance Advisory Team done in the last year?

Dr. **Young**. The Surveillance Advisory Team—SAT—was formally established by USDA and includes membership from the Food Safety and Inspection Service, the Food and Drug Administration and the Environmental Protection Agency. The group is chaired by FSIS and is charged with providing advice to USDA on their tissue residue monitoring program. This program collects approximately 25,000 tissue samples a year for analysis for a variety of animal drug and pesticide residues.

The Surveillance Advisory Team met twice in 1985, and discussed the 1986 annual compound sampling plan along with other issues of interest. Compounds which were added to the 1986 plan included Clopidol, Chlorsulon, Decoquinate and Halofuginoue. The SAT approved the 1986 Annual Residue Plan, a comprehensive plan for tissue monitoring in both domestic and imported samples of red meat and poultry. This plan is currently in operation.

ADVISORY COMMITTEES

Mr. WHITTEN. How many advisory committees does FDA have?

Dr. YOUNG. FDA has 40 advisory committees, 19 of which have charters specifically authorized by law that do not need to be renewed. These 19 committees are primarily the medical device panels and the Board of Tea Experts. The other 21 committees are established under a more general statutory authority by the Secretary of Health and Human Services, and their charters must be renewed periodically.

Mr. WHITTEN. How often does each committee meet and what financial resources is allotted to each?

Dr. YOUNG. The excerpts of the report "FDA Public Advisory Groups" provided above indicates how often each committee meets. The frequency of meetings depends on the charter of the committee and in many cases how many issues need to be referred to a committee. For instance, the Board of Tea Experts is generally scheduled to meet once a year to set tea standards. On the other hand, the drug and device advisory committees sometimes do not meet during a given year, while in other cases a particular committee may need to meet several times in a year.

[Additional information follows:]

	FY 86 estimate [1]
Office of the Commissioner: Board of Tea Experts	$5,000
Center for Drugs and Biologics:	
Allergenic Products Advisory Committee	46,000
Blood Products Advisory Committee	65,000
Vaccines and Related Biological Products Advisory Committee	65,000
Anesthetic and Life Support Drugs Advisory Committee	45,000
Anti-Infective Drugs Advisory Committee	30,000
Arthritis Advisory Committee	43,000
Cardiovascular and Renal Drugs Advisory Committee	36,000
Dermatologic Drugs Advisory Committee	30,000
Drug Abuse Advisory Committee	28,000
Endocrinologic and Metabolic Drugs Advisory Committee	47,000
Fertility and Maternal Health Drugs Advisory Committee	53,000
Gastrointestinal Drugs Advisory Committee	35,000
Oncologic Drugs Advisory Committee	39,000
Peripheral and Central Nervous Systems Drugs Advisory Committee	25,000
Psychopharmacologic Drugs Advisory Committee	37,000
Pulmonary-Allergy Drugs Advisory Committee	26,000
Radiopharmaceutical Drugs Advisory Committee	34,000
Center for Devices and Radiological Health:	
Anesthesiology and Respiratory Therapy Devices Panel	35,000
Circulatory System Devices Panel	31,000
Clinical Chemistry and Clinical Toxicology Devices Panel	32,000
Dental Devices Panel	26,000
Ear, Nose, and Throat Devices Panel	24,000
Gastroenterology-Urology Devices Panel	26,000
General and Plastic Surgery Devices Panel	24,000
General Hospital and Personal Use Devices Panel	28,000
Hematology and Pathology Devices Panel	27,000

	FY 86 estimate [1]
Immunology Devices Panel	37,000
Microbiology Devices Panel	33,000
Neurological Devices Panel	23,000
Obstetrics-Gynecology Devices Panel	29,000
Ophthalmic Devices Panel	64,000
Orthopedic and Rehabilitation Devices Panel	22,000
Radiologic Devices Panel	23,000
Device Good Manufacturing Practice Advisory Committee	21,000
Medical Radiation Advisory Committee	47,000
Technical Electronic Product Radiation Safety Standards Committee	17,000
Center for Food Safety and Applied Nutrition: Ad Hoc Advisory Committee of Hypersensitivity to Food Constituents	34,000
Center for Veterinary Medicine: Veterinary Medicine Advisory Committee	62,000
National Center for Toxicological Research: Science Advisory Board	30,000
	1,401,000

[1] Included in these estimates are the salary costs of the FDA personnel who serve as support to the committees. The 1986 estimates allow for the full number of planned meetings, but FDA does not anticipate obligating the full amount since all possible meetings will probably not be held.

Mr. WHITTEN. What is the function/mission of each of these?

Dr. YOUNG. The function of each committee is listed in material excerpted from FDA's report "FDA Public Advisory Groups", which I would be pleased to funish for the record.

[CLERK'S NOTE.—The report is too lengthy to reprint and will be retained in Committee files.]

MAGNETIC BANDAGES FOR ANIMALS

Mr. WHITTEN. Please discuss the use of the animal device known as a magnetic bandage.

Dr. YOUNG. Magnetic bandages contain one or more small permanent magnets held close to or on the skin. Claims for these devices have ranged from pain relief to the cure of various injuries. There is no scientific evidence that magnetic bandages are effective for the claims made for them. Thus, these devices are misbranded under section 502(a) of the Federal Food, Drug, and Cosmetic Act, and FDA has taken various regulatory actions, including seizures and regulatory letters that have prompted firms to cease marketing these devices.

INCREASE FOR DEVICES AND RADIOLOGICAL PRODUCTS

Mr. WHITTEN. You are requesting an increase of $1.2 million for your devices and radiological products activities. Please provide a detailed explanation of what the increase will be used for.

Dr. YOUNG. The increase of $1.2 million for devices and radiological product activities will be used to maintain current activities by funding increased personnel costs, such as periodic within-grade increases, and other operating costs that increase as a result of inflation, such as supplies, maintenance contracts and other contracted services.

WINCHESTER ENGINEERING AND ANALYTICAL CENTER

Mr. WHITTEN. Where is the Winchester Engineering and Analytical Center located? Please list some of the activities of the Center for 1986.

Dr. Young. The Winchester Engineering and Analytical Center—WEAC—is located at 109 Holton Street, Winchester, Massachusetts. WEAC serves as a specialized laboratory primarily for the examination of: electronic products; radiation-emitting medical and industrial device products; and radioactive drugs—including sterility testing when such drugs and in parenteral form. The WEAC also tests for radionuclides in foods; prescription and nonprescription drug products; and medical devices sold to the government, under terms of interagency agreements with Veterans Administration, Department of Defense, and other Federal agencies. In addition, WEAC conducts evaluations of test methods for proposed regulatory standards or New Drug Applications; and provides support for the Dental Exposure Normalization Technique Program, an Agency program designed to limit public exposure to ionizing and non-ionizing radiation. Products are tested for compliance with established standards of official compendial monographs.

During 1986, WEAC will examine products such as diagnostic X-ray equipment, cabinet X-ray, ultrasonic therapy devices, hearing aids, TV receivers, microwave ovens, sunlamps and mercury vapor lamps, devices sold to the Federal government, radionuclides in foods, and drugs. In addition, WEAC will evaluate test methods for proposed standards and for NDAs and will continue to support the DENT program.

DEVICE EDUCATION AND ASSISTANCE PROGRAM

Mr. Whitten. Please discuss some of the activities of the Medical and Radiological Device Education and Assistance Program.

Dr. Young. FDA's medical and radiological device education and assistance programs are aimed at manufacturers, health care professionals, and consumer. They re intended to complement and enhance regulatory/compliance actions, but often have more impact and are most cost-effective than a regulatory approach.

The legislative authority for most of our efforts in this area is the Radiation Control for Health and Safety Act—RCHSA, which directs FDA to undertake activities to eliminate or reduce unnecessary exposure to radiation from medical, industrial, and consumer products. In the past, this charge has been met through education, training and information programs, cooperative programs with States, and research. Our education and assistance programs have proven particularly successful in obtaining voluntary compliance and cooperation from the radiology community and altering behavior to protect the public health. Most of this activity is undertaken by Center for Devices and Radiological Health's—CDRH—Office of Training and Assistance with additional support to this project in the field and other headquarter offices of CDRH.

Since the merger of the Bureau of Radiological Health and the Bureau of Medical Devices in 1982, the Center for Devices and Radiological Health has become responsible for implementing the 1976 Medical Device Amendments to the Food, Drug, and Cosmetic Act, and is successfully applying this same approach to medical device regulation. As device technology continues to advance at a rapid rate, and as we become more knowledgeable about the causes of device problems, it becomes increasingly apparent that user and user/machine-related problems play a large role in device-related deaths and injuries. The behavior modification potential of educational efforts makes this approach particularly effective in such cases. Of course we are mindful of the need to strike a balance that allows us to continue to meet the mandate of the RCHSA.

Our education and assistance program seeks to reach primarily three groups, manufacturers, health care professionals, and consumers. Through education and assistance programs for a diverse industrial base, consisting of some 7,000 domestic firms operating about 10,000 manufacturing sites, we are able to affect improved premarket submissions, reports and practices, leading to reduced administrative overhead as well as better compliance with applicable regulations. Education and assistance programs aimed at health care professionals can lead to improved patient care, reduced risk to death or injury, and reduced risk of future ill health such as radiation-induced cancer. Examples of programs in this area include anesthesia and respiratory care devices. Here it is estimated that between 2,000 and 10,000 Americans die each year during general anesthesia. Most of these deaths are preventable, with more than 85 percent attributable to human error. The number of incidents associated with respiratory care devices is generally believed to be on the same order of magnitude as anesthesia-related deaths. To reduce the number of user-related injuries and deaths, FDA, in cooperation with the American Society for Anesthesiologists, has produced three videotapes for practicing anesthesiologists and is planning to produce three more. FDA also has developed a Pre-Anesthesia Checkout List to help the user identify problems during setup of anesthesia equipment. A notice of availability of the draft checklist was published in the Federal Register on March 28, 1986.

Another program effort is directed at referral criteria for x-ray exams. During the past few years, we have worked closely with relevant physician organizations to develop referral criteria for the pelvimetry x-ray exam and five types of routine chest x-ray screening exams. We have completed work on referral criteria for routine presurgical check x-ray exams and skull x-ray exams following trauma. We are also working or radiographic imaging recommendations for acute low back pain and routine dental x-ray exams. Use of these recommendations by practitioners has helped reduce x-ray exams that have no clinical value but carry costs in terms of unnecessary radiation exposure, and patient, facility, and personnel time, as well as health care expenditures with no commensurate benefit.

A third program effort concerns scoliosis. Approximately 600,000 10- to 15-years-olds in the U.S. have some degree of scoliosis, curvature of the spine—with 120,000 having curvatures that require treatment or observation. Since early detection and treatment can decrease the need for surgery, the American Academy of Orthopedic Surgeons recently endorsed physical screening programs in the schools, which has led to an increase in the numnber of x-rays of the spine within extremely wide range of radiation expsoure. Of those requiring follow-up, two-thirds are females, who are at an increased risk for breast cancer when the breast tissue is irradiated. We have found that three simple, relatively inexpensive methods can dramatically reduce x-ray exposure and not detrimentally affect the quality of the radiograph fast screen-film combinations, specially designed compensating filters, and breast shielding. We have encouraged the use of these techniques through educational campaigns aimed at health care professionals, educators, and patient groups.

Our third target group is the consumer. Education and assistance programs are the primary mechanism for assisting consumers in the safe and effective use of medical and radiological devices and in the avoidance of unnecessary risks. Examples of such efforts include programs on Artificial Tanning and Extended Wear Lenses, each of which involves potentially severe health risks and is an area in which knowledge can significantly reduce these risks. The Artificial Tanning program will provide teachers with information to instruct teenagers and young adults (the population most at risk) about the results of elective overexposure to ultraviolet rays from artificial tanning devices. In the area of extended wear lenses, we are investigating the suspected relationship of corneal ulcers and user-related problems.

Mr. **Whitten**. What resources do you expect to commit to this project in fiscal years 1986 and 1987?

Dr. **Young**. Resources budgeted in 1986 for this program are $9,321,000 and 162 FTEs, and in 1987 are $9,852,000 and 161 FTEs.

TOXICOLOGY DATA MANAGEMENT SYSTEM

Mr. **Whitten**. Please provide for the record the annual budget and source of funds for fiscal years 1985, 1986, and 1987, for the Toxicology Data Management System.

[The information follows:]

TDMS BUDGET

	Fiscal year—		
	1985	1986	1987
Source;			
Appropriated funds (FDA)	$2,223,901	$2,428,500	$2,428,500
Reimbursable funds	3,103,000	2,837,500	1,095,000
National Institute of Environmental Health Sciences	(2,800,000)	(2,480,000)	(720,000)
Institute of Chemical Defense	(303,000)	(326,400)	(350,000)
Army Environmental Hygiene Center	0	(25,000)	(25,000)
Veterans' Administration	0	(6,100)	0
Total TDMS	5,326,901	5,266,000	3,523,500

STUDIES FOR THE DEPARTMENT OF DEFENSE

Mr. **Whitten**. In the past you have done studies on the neuropathy and multi-generation affects of chemical agents for the Department of Defense. Can you tell us about these studies? Are the resources committed to these activities reimbursed by DOD?

Dr. **Young**. Actually the experiments that you have described are just getting underway for the agents Sarin and Soman. The neuropathy studies follow the EPA and FDA guidelines using white leghorn hens as the model for detection of delayed neuropathy. The atropine-protected hens are administered a single or a divided dose of the agent and are observed twice daily for mortality and morbidity. Neurotoxic symptom evaluation will be carried out according to established methods. Nerve conduction velocity will also be studied to correlate with the histopathological determinations of the presence or absence of distal axonopathy. The protocol has a duration of 43 days. In addition to the histopathology, levels of neurotoxic esterase in the brain will be determined. This study is being done under Good Laboratory Practices guidelines for the FDA.

The multi-generation rat studies, Fertility Assessment by Continuous Breeding, FACB, will be underway in 1987 and 1988. The objectives of the FACB studies are to provide information of these nerve agents on gonadal function, estrous cycle, mating behavior, conception, parturition, lactation and weaning; to provide information about the effects of these nerve agents on neonatal mortality and morbidity; and to provide additional information about the teratogenic potential of these nerve agents. Testing with a FACB protocol was begun in 1981 by the National Toxicology Program. The FACB protocol tests fertility under constant challenge. The endpoints, including fertility, pups per litter, pup weight, sex and survival, are the same as in standard multi-generation studies. The ability to assess the affects of the agent with regard to time between litters and progressive alterations of fertility and reproduction are unique to the FACB protocol.

FDA is totally reimbursed by the Department of Defense under an Interagency Agreement.

SLUC INCREASE

Mr. WHITTEN. You are projecting a 10 percent increase in SLUC costs for 1987. Is this a result of GSA increases or do you expect to expand your rental space?

Dr. YOUNG. The increase of $2,639,000 in SLUC cost for 1987 is primarily a result of rate changes. GSA did not adjust rates for 1986, but did for 1987. As a result the 1987 rates increased on the average by 7.5 percent. FDA's bill exceeded the 7.5 percent increase because our single most costly building, FB-8, received about a 50 percent rate increase that by itself added approximately $3 million to FDA's SLUC costs.

REGULATORY AGENDA

Mr. WHITTEN. Please submit for the record a copy of your most recent published regulatory agenda.

[The information follows:]

600. OBLIGATIONS OF SPONSORS OF CLINICAL INVESTIGATIONS

Significance: Regulatory Program

Legal Authority: 21 USC 346 Federal Food, Drug, and Cosmetic Act; 21 USC 348 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 353 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 356 Federal Food, Drug, and Cosmetic Act; 21 USC 357 Federal Food, Drug, and Cosmetic Act; 21 USC 360b to 360f Federal Food, Drug, and Cosmetic Act; 21 USC 360h to 360j Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act; 21 USC 376 Federal Food, Drug, and Cosmetic Act; 21 USC 381 Federal Food, Drug, and Cosmetic Act; 42 USC 216 Public Health Service Act; 42 USC 262 Public Health Service Act; 42 USC 263b to 263n Public Health Service Act

CFR Citation: 21 CFR 52; 21 CFR 71; 21 CFR 170; 21 CFR 171; 21 CFR 180; 21 CFR 310; 21 CFR 312; 21 CFR 314; 21 CFR 320; 21 CFR 330; 21 CFR 430; 21 CFR 431; 21 CFR 510; 21 CFR 511; 21 CFR 514; ...

Abstract: This proposed rule would clarify or revise certain existing requirements concerning obligations of persons who sponsor clinical investigations involving a drug or medical device and extend those requirements to cover other products regulated by FDA. The rule is intended to provide greater protection of the rights and safety of subjects involved in clinical investigations and to help assure the quality and integrity of the data filed with FDA under the Federal Food, Drug, and Cosmetic Act and the Public Health Service Act.

Timetable:

Action	Date	FR Cite
NPRM	09/27/77	42 FR 49612
NPRM Comment Period Begin	09/27/77	42 FR 49612
NPRM Comment Period End	12/27/77	
Final Action	03/00/86	

Small Entity: Not Applicable

Agency Contact: Marilyn L. Watson, Spec. Asst. to the Division Director, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-360), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3640

RIN: 0905–AA03

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601. OVER-THE-COUNTER (OTC) DRUG REVIEW

Legal Authority: 21 USC 321(p) Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 310; 21 CFR 330; 21 CFR 333; 21 CFR 334; 21 CFR 335; 21 CFR 336; 21 CFR 337; 21 CFR 338; 21 CFR 339; 21 CFR 340; 21 CFR 341; 21 CFR 342; 21 CFR 343; 21 CFR 344; 21 CFR 345; ...

Abstract: The OTC drug review establishes conditions under which OTC drugs are considered generally recognized as safe and effective and not misbranded. After a final monograph (i.e., final rule) is issued, only OTC drugs meeting the conditions of the monograph, or having an approved new drug application, may be legally marketed. NOTE: NPRM for "Antidotes, Toxic Ingestion Products" to be combined with NPRM for "Emetic Products" and reproposed as "Poison Treatment Products." NPRM for "Astringent (Wet Dressings) Products" to be included in NPRMs for "External Analgesic" & "Skin Protectant Products." NPRM for "Diaper Rash Products" to be included in NPRMs for "Anti-fungal," "Anti-microbial," "External Analgesic" and "Skin Protectant Products." NPRM for "Fever Blister/Cold Sore Products (External)" to be included in NPRMs for "External Analgesic" and "Skin Protectant Products." NPRM for "Insect Bites and Stings (Relief) Products" to be included in NPRMs for "External Analgesic" and "Skin Protectant Products." NPRM for "Mercurial (Topical) Products" to be included in NPRM for (cont)

Supplemental Timetable:

- **Acne (Topical) Products**
  - ANPRM 03/23/82 (47 FR 12430)
  - NPRM 01/15/85 (50 FR 2172)
  - Final Action 00/00/00
- **Alcohol (Topical) Products**
  - ANPRM 05/21/82 (47 FR 22344)
- **Alertness Aid Products**
  - ANPRM 12/08/75 (40 FR 57292)
  - NPRM 06/13/78 (43 FR 25544)
  - Final Action 00/00/00
- **Anorectal Products**
  - ANPRM 05/27/80 (45 FR 35576)
  - NPRM 00/00/00
- **Anthelmintic Products**
  - ANPRM 09/09/80 (45 FR 59541)
  - NPRM 08/24/82 (47 FR 37062)
  - Final Action 00/00/00
- **Antibiotic First Aid Products**
  - ANPRM 04/01/77 (42 FR 17642)
  - NPRM 07/09/82 (47 FR 29986)
  - Final Action 00/00/00
- **Anticaries Products**
  - ANPRM 03/28/80 (45 FR 20666)
  - NPRM 10/00/85
- **Antidiarrheal Products**
  - ANPRM 03/21/75 (40 FR 12924)
  - NPRM 00/00/00
- **Antidotes, Toxic Ingestion Products**
  - ANPRM 01/05/82 (47 FR 444)
- **Antiemetic Products**
  - ANPRM 03/21/75 (40 FR 12934)
  - NPRM 07/13/79 (44 FR 41064)
  - Final Action 00/00/00
- **Antifungal (Topical) Products**
  - ANPRM 03/23/82 (47 FR 12480)
  - NPRM 00/00/00
- **Antimicrobial Products**
  - ANPRM 09/13/74 (39 FR 33103)
  - NPRM 01/06/78 (43 FR 1210)
  - Revised NPRM 00/00/00
- **Antiperspirant Products**
  - ANPRM 10/10/78 (43 FR 46694)
  - NPRM 08/20/82 (47 FR 36492)
  - Final Action 00/00/00
- **Aphrodisiac Products**
  - ANPRM 10/01/82 (47 FR 43572)
  - NPRM 01/15/85 (50 FR 2168)
  - Final Action 00/00/00
- **Astringent (Wet Dressings) Products**
  - ANPRM 09/07/82 (47 FR 39436)
- **Benign Prostatic Hypertrophy Products**
  - ANPRM 10/01/82 (47 FR 43566)
  - NPRM 00/00/00
- **Boil Ointments**
  - ANPRM 06/29/82 (47 FR 28306)
  - NPRM 00/00/00
- **Camphorated Oil Drug Products**
  - Final Action 09/21/82 (47 FR 41716)
- **Cholecystokinetic Products**
  - ANPRM 02/12/80 (45 FR 9286)
  - NPRM 08/24/82 (47 FR 37068)
  - Final Action 06/10/83 (48 FR 27004)
- **Corn and Callus Remover Products**
  - ANPRM 01/05/82 (47 FR 522)
  - NPRM 00/00/00
- **Cough/Cold (Anticholinergic) Products**
  - Final Action 10/00/85
- **Cough/Cold (Anticholinergic/Expectorant) Products**
  - ANPRM 09/09/76 (41 FR 38312)
  - NPRM 07/09/82 (47 FR 30002)
- **Cough/Cold (Antihistamine) Products**
  - ANPRM 09/09/76 (41 FR 38312)
  - NPRM 01/15/85 (50 FR 2200)
  - Final Action 00/00/00
- **Cough/Cold (Antitussive) Products**
  - ANPRM 09/09/76 (41 FR 38312)
  - NPRM 10/19/83 (48 FR 48576)
  - Final Action 00/00/00
- **Cough/Cold (Bronchodilator) Products**
  - ANPRM 09/09/76 (41 FR 38312)
  - NPRM 10/26/82 (47 FR 47520)
  - Final Action 00/00/00
- **Cough/Cold (Combination) Products**
  - ANPRM 09/09/76 (41 FR 38312)
  - NPRM 00/00/00
- **Cough/Cold (Expectorant) Products**
  - Final Action 00/00/00
- **Cough/Cold (Nasal Decongestant) Products**
  - ANPRM 09/09/76 (41 FR 38312)
  - NPRM 01/15/85 (50 FR 2220)

Final Action 00/00/00
Dandruff, Seborrheic Dermatitis and Psoriasis Control Products
ANPRM 12/03/82 (47 FR 54646)
NPRM 00/00/00
Diaper Rash Products
ANPRM 09/07/82 (47 FR 39406)
Digestive Aid Products
ANPRM 01/05/82 (47 FR 454)
NPRM 00/00/00
Emetic Products
ANPRM 03/21/75 (40 FR 12902)
NPRM 09/05/78 (43 FR 39544)
Exocrine Pancreatic Insufficiency Products
ANPRM 12/21/79 (44 FR 75666)
NPRM 10/00/85
External Analgesic Products
ANPRM 12/04/79 (44 FR 69768)
NPRM 02/08/83 (48 FR 05852)
Final Action 00/00/00
Fever Blister Products (Internal)
ANPRM 01/05/82 (47 FR 502)
NPRM 06/17/85 (50 FR 25156)
Final Action 00/00/00
Fever Blister/Cold Sore Products (External)
ANPRM 09/07/82 (47 FR 39436)
Hair Grower and Hair Loss Prevention Products
ANPRM 11/27/80 (45 FR 73955)
NPRM 01/15/85 (50 FR 2190)
Final Action 00/00/00
Hormone (Topical) Products
ANPRM 01/05/82 (47 FR 430)
NPRM 12/00/85
Hypo/Hyperphosphatemia Products
ANPRM 12/09/80 (45 FR 81154)
NPRM 01/15/85 (50 FR 2160)
Final Action 00/00/00
Ingrown Toenail Relief Products
ANPRM 10/17/80 (45 FR 69128)
NPRM 09/03/82 (47 FR 39120)
Final Action 00/00/00
Insect Bites and Stings (Relief) Products
ANPRM 09/07/82 (47 FR 39412)
Insect Repellent Drug Products (Internal)
ANPRM 01/05/82 (47 FR 424)
NPRM 06/10/83 (48 FR 26986)
Final Action 06/17/85 (50 FR 25170)
Internal Analgesic Products
ANPRM 07/08/77 (42 FR 35346)
NPRM 10/00/85
Internal Deodorant Products
ANPRM 01/05/82 (47 FR 512)
NPRM 06/17/85 (50 FR 25162)
Final Action 00/00/00
Laxative Products
ANPRM 03/21/75 (40 FR 12902)
NPRM 01/15/85 (50 FR 2124)
Final Action 00/00/00
Leg Muscle Cramps (Nocturnal Relief) Products
ANPRM 10/01/82 (47 FR 43562)
NPRM 10/00/85
Male Genital Desensitizer Products
ANPRM 09/07/82 (47 FR 39412)
NPRM 10/00/85
Menstrual Products
ANPRM 12/07/82 (47 FR 55075)
NPRM 00/00/00
Mercurial (Topical) Products
ANPRM 01/05/82 (47 FR 436)
Nailbiting/Thumbsucking Deterrent Products
ANPRM 10/17/80 (45 FR 69122)
NPRM 09/03/82 (47 FR 39096)
Final Action 00/00/00
Nighttime Sleep Aid Products
ANPRM 12/08/75 (40 FR 57292)
NPRM 06/13/78 (43 FR 25544)
Final Action 00/00/00
Ophthalmic Products
ANPRM 05/06/80 (45 FR 30002)
NPRM 06/28/83 (48 FR 29788)
Final Action 00/00/00
Oral Cavity (Health Care) Products
ANPRM 05/25/82 (47 FR 22760)
NPRM 00/00/00
Oral Discomfort (Relief) Products
ANPRM 05/25/82 (47 FR 22712)
NPRM 00/00/00
Oral Mucosal Injury Products
ANPRM 11/02/79 (44 FR 63270)
NPRM 07/26/83 (48 FR 33984)
Final Action 00/00/00
Otic Products
ANPRM 12/16/77 (42 FR 63556)
NPRM 07/09/82 (47 FR 30012)
Final Action 00/00/00
Overindulgence Remedies
ANPRM 10/01/82 (47 FR 43540)
NPRM 00/00/00
Pediculicide Products
ANPRM 06/29/82 (47 FR 28312)
NPRM 00/00/00
Poison Ivy/Oak/Sumac Prevention
ANPRM 09/07/82 (47 FR 39412)
Poison Treatment Products
NPRM 01/15/85 (50 FR 2244)
Final Action 00/00/00
Skin Bleaching Products
ANPRM 11/03/78 (43 FR 51546)
NPRM 09/03/82 (47 FR 39108)
Final Action 00/00/00
Skin Protectant Products
ANPRM 08/04/78 (43 FR 34628)
NPRM 02/15/83 (48 FR 6820)
Final Action 00/00/00
Smoking Deterrent Products
ANPRM 01/05/82 (47 FR 490)
NPRM 07/03/85 (50 FR 27552)
Final Action 00/00/00
Stomach Acidifier Products
ANPRM 10/19/79 (44 FR 60316)
NPRM 01/15/85 (50 FR 2184)
Final Action 00/00/00
Vaginal Contraceptive Products
ANPRM 12/12/80 (45 FR 82014)
NPRM 00/00/00
Vaginal Drug Products
ANPRM 10/13/83 (48 FR 46694)
NPRM 00/00/00
Wart Remover Products
ANPRM 10/03/80 (45 FR 65609)
NPRM 09/03/82 (47 FR 39102)
Final Action 00/00/00
Weight Control Products
ANPRM 02/26/82 (47 FR 8466)
NPRM 10/00/85

Small Entity: No

Additional Information: ABSTRACT CONT: "Antimicrobial Products." "Poison Ivy/Oak/Sumac Prevention" to be included in NPRMs for "External Analgesic" and "Skin Protectant Products." NPRM for "Alcohol (Topical) Products" to be included in revised NPRM for "Antimicrobial Products."

SMALL BUSINESSES CONT: The effects, if any, vary depending on the individual rulemaking. However, the agency anticipates that the rules would not have a significant economic impact on a substantial number of small entities as defined by the Regulatory Flexibility Act.

Agency Contact: William E. Gilbertson, Director, Division of OTC Drug Evaluation, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-210), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4960

RIN: 0905-AA06

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602. RISK ASSESSMENT POLICY FOR REGULATING CARCINOGENIC IMPURITIES IN FOOD AND COLOR ADDITIVES

Significance: Regulatory Program

Legal Authority: 21 USC 321 Federal Food, Drug, and Cosmetic Act; 21 USC 348 Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act; 21 USC 376 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR Chapter 1

Abstract: This proposed rule would establish a new policy for assessing the safety of food and color additives containing minute levels of carcinogenic impurities. The proposal would clarify the definition of an "additive" to apply the Delaney Clause only when the additive as a whole has been shown to cause cancer, and would use risk assessment procedures as one of the tools for determining the safety of an additive under the general safety clause of section 409 of the Federal Food, Drug, and Cosmetic Act.

Timetable:

Action	Date	FR Cite
ANPRM	04/02/82	47 FR 14464
ANPRM Comment Period Begin	04/02/82	47 FR 14464
ANPRM Comment Period End	07/01/82	
NPRM	12/00/85	
Final Action	12/00/86	

Small Entity: Undetermined

Agency Contact: Terry C. Troxell, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Food Safety and Applied Nutrition (HFF-300) 200 C Street, SW, Washington, DC 20204, 202 472-5740

RIN: 0905–AA12

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603. REVISED PROCEDURES REGARDING MEDICATED FEED APPLICATIONS

Significance: Regulatory Program

Legal Authority: 21 USC 360b Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 207; 21 CFR 210; 21 CFR 225; 21 CFR 226; 21 CFR 501; 21 CFR 514; 21 CFR 558

Abstract: This proposed rule would revise the existing rules to provide revised criteria for the need of an approved medicated feed application for the manufacture of medicated feeds.

Timetable:

Action	Date	FR Cite
NPRM	01/08/81	46 FR 2456
NPRM Comment Period Begin	01/08/81	46 FR 2456
NPRM Comment Period End	04/09/81	
Tentative Final Rule	07/29/83	48 FR 34574
Tentative Final Rule Comment Period begins	07/29/83	48 FR 34574
Tentative Final Rule Comment Period ends	10/27/83	
Final Action	10/00/85	

Small Entity: No

Additional Information: SMALL BUSINESSES CONT: Although there would be costs involved for several sectors of the medicated feed industry, the impacts on small businesses would be insufficient to warrant a regulatory flexibility analysis under the Regulatory Flexibility Act.

Agency Contact: George Graber, Director, Division of Animal Feeds, Department of Health and Human Services, Food and Drug Administration, Center for Veterinary Medicine (HFV-220), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4438

RIN: 0905–AA15

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604. PREMARKET APPROVAL APPLICATION (PMA) PROCEDURES

Significance: Regulatory Program

Legal Authority: 21 USC 351 Federal Food, Drug, and Cosmetic Act; 21 USC 353 Federal Food, Drug, and Cosmetic Act; 21 USC 360 Federal Food, Drug, and Cosmetic Act; 21 USC 360c to 360j Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act; 21 USC 373 Federal Food, Drug, and Cosmetic Act; 21 USC 374 Federal Food, Drug, and Cosmetic Act; 21 USC 375 Federal Food, Drug, and Cosmetic Act; 21 USC 379 Federal Food, Drug, and Cosmetic Act; 21 USC 381 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 814

Abstract: This proposed rule would establish requirements for submission to FDA of applications for premarket approval including safety and effectiveness data for all class III (premarket approval) medical devices. The rule would establish procedures for manufacturers to demonstrate the safety and effectiveness of these medical devices.

Timetable:

Action	Date	FR Cite
NPRM	12/12/80	45 FR 81769
NPRM Comment Period Begin	12/12/80	45 FR 81769
NPRM Comment Period End	02/10/81	
Notice of 60-day Ext. of Com. Per.	02/17/81	46 FR 12502
Final Action	10/00/85	

Small Entity: Not Applicable

Agency Contact: James J. McCue, Jr., Director, Operations Staff, Department of Health and Human Services, Food and Drug Administration, Center for Devices & Rad Health (HFZ-84), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4874

RIN: 0905–AA19

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605. CURRENT GOOD MANUFACTURING PRACTICE FOR HUMAN FOOD

Significance: Regulatory Program

Legal Authority: 21 USC 332 Federal Food, Drug, and Cosmetic Act; 21 USC 333 Federal Food, Drug, and Cosmetic Act; 21 USC 334 Federal Food, Drug, and Cosmetic Act; 21 USC 342(a) Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 110

Abstract: This tentative final rule represents the next action on FDA's proposed revisions to the Current Good Manufacturing Practice regulations published June 8, 1979, and FDA's review of the existing regulations under Executive Order 12291 and the Regulatory Flexibility Act.

Timetable:

Action	Date	FR Cite
NPRM	06/08/79	47 FR 33238
NPRM Comment Period Begin	06/08/79	47 FR 33238
NPRM Comment Period End	12/31/79	
Interim Final Rule	10/00/85	
Tentative Final Rule	00/00/00	

Small Entity: Not Applicable

Additional Information: Old title during review: "Current Good Manufacturing Practice in Manufacturing, Processing, Packing, or Holding Human Food (Umbrella Rule)"

Agency Contact: F. Leo Kauffman, Supv., Formulation Sec. Plant & Prot Tech Br, Department of Health and Human Services, Food and Drug Administration, Center for Food Safety and Applied Nutrition (HFF-214) 200 C Street, SW, Washington, D.C. 20204, 202 485-0107

RIN: 0905–AA72

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606. CURRENT GOOD MANUFACTURING PRACTICE (CGMP) FOR BLOOD AND BLOOD COMPONENTS; RETROSPECTIVE REVIEW

Significance: Regulatory Program

Legal Authority: 21 USC 321 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act; 42 USC 262 Public Health Service Act; 5 USC 553 Administrative Procedures Act; 5 USC 702 Administrative Procedures Act; 5 USC 703 Administrative Procedures Act; 5 USC 704 Administrative Procedures Act

CFR Citation: 21 CFR 606

Abstract: FDA is responsible for issuing regulatory standards for blood and blood components to ensure the continued safety, purity, and potency of such products. Since 1975, CGMP regulations have been in effect that provide standards for facilities.

personnel, and manufacturing procedures for blood and blood components. In accordance with the Regulatory Flexibility Act, FDA has conducted a retrospective review of its CGMP regulations for blood and blood components, to determine how the regulations may be revised to relieve regulatory burdens and increase flexibility without adversely affecting the public health. Part of the retrospective review of the CGMP will be completed through FDA's implementation of an efficacy review of blood and blood derivatives which responds to recommendations of a Committee of scientific experts—the Panel on Review of Blood and Blood Derivatives. To complete the remainder of the retrospective review program regarding the CGMP, FDA will issue a proposed rule to revise the CGMP regulations.

Timetable:

Action	Date	FR Cite
NPRM	10/00/85	
Publication of proposed rule: Blood & Blood Components; Retrospective Review	10/00/85	
Publication of proposed rule: Blood & Blood Derivatives; Implementation of Efficacy Review	10/00/85	

Small Entity: No

Agency Contact: Steven F. Falter, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-368), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3658

RIN: 0905–AA75

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607. GOOD LABORATORY PRACTICE FOR NONCLINICAL LABORATORY STUDIES

Significance: Regulatory Program

Legal Authority: 21 USC 346 Federal Food, Drug, and Cosmetic Act; 21 USC 346a Federal Food, Drug, and Cosmetic Act; 21 USC 348 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 353 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 356 Federal Food, Drug, and Cosmetic Act; 21 USC 357 Federal Food, Drug, and Cosmetic Act; 21 USC 360 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act; 21 USC 376 Federal Food, Drug, and Cosmetic Act; 21 USC 381 Federal Food, Drug, and Cosmetic Act; 42 USC 216 Public Health Service Act; 42 USC 262 Public Health Service Act; 42 USC 263 Public Health Service Act; ...

CFR Citation: 21 CFR 58

Abstract: This action will revise the agency's regulations covering Good Laboratory Practice for Nonclinical Laboratory Studies based upon the agency's review of these existing rules under Executive Order 12291 and the Regulatory Flexibility Act.

Timetable:

Action	Date	FR Cite
NPRM	10/29/84	49 FR 43530
NPRM Comment Period Begin	10/29/84	49 FR 43530
NPRM Comment Period End	12/28/84	
Final Action	01/00/86	

Small Entity: No

Agency Contact: Paul D. Lepore, Bioresearch Coordinator, Department of Health and Human Services, Food and Drug Administration, Div. of Compliance Policy (HFC-211), 5600 Fishers Lane, Rockville, MD 20857, 301 443-2390

RIN: 0905–AA84

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608. EXEMPT INFANT FORMULA

Significance: Agency Priority

Legal Authority: 21 USC 321(n) Federal Food, Drug, and Cosmetic Act; 21 USC 321(aa) Federal Food, Drug, and Cosmetic Act; 21 USC 343(a) Federal Food, Drug, and Cosmetic Act; 21 USC 350a Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 107.3; 21 CFR 107.50

Abstract: The Infant Formula Act of 1980 exempts from some of its requirements specialty infant formulas that are intended for use by infants with special dietary needs. This final rule will implement the exemption provisions of the Infant Formula Act of 1980 by establishing the terms and conditions under which those infant formulas would continue to be exempt.

Timetable:

Action	Date	FR Cite
NPRM	07/12/83	48 FR 31875
NPRM Comment Period Begin	07/12/83	48 FR 31875
NPRM Comment Period End	09/12/83	
Final Action	10/00/85	

Small Entity: No

Agency Contact: Nicholas Duy, Chemist, Department of Health and Human Services, Food and Drug Administration, Center for Food Safety and Applied Nutrition (HFF-204) 200 C Street, SW, Washington, D.C. 20204, 202 245-3117

RIN: 0905–AA85

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609. IRRADIATION IN THE PRODUCTION, PROCESSING, AND HANDLING OF FOOD

Significance: Regulatory Program

Legal Authority: 21 USC 321 Federal Food, Drug, and Cosmetic Act; 21 USC 342 Federal Food, Drug, and Cosmetic Act; 21 USC 343 Federal Food, Drug, and Cosmetic Act; 21 USC 348 Federal Food, Drug, and Cosmetic Act; 21 USC 373 Federal Food, Drug, and Cosmetic Act; 21 USC 374 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 179.25; 21 CFR 179.26

Abstract: This final rule would permit the sterilization of food with ionizing radiation. This final rule has resulted from increased interest in irradiation in food processing by industry and Congress, as well as the completion of a report by FDA's Irradiated Food Committee.

Timetable:

Action	Date	FR Cite
ANPRM	03/27/81	46 FR 18992
ANPRM Comment Period Begin	03/27/81	46 FR 18992
ANPRM Comment Period End	06/25/81	
Ext. of Comment Period to 07/27/81	07/07/81	46 FR 35120
NPRM	02/14/84	
NPRM Comment Period Begin	02/14/84	49 FR 05714
NPRM Comment Period End	04/16/84	
Final Action	10/00/85	

Small Entity: No

Agency Contact: **Clyde A. Takeguchi**, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Food Safety and Applied Nutrition (HFF-330) 200 C Street, SW, Washington, D.C. 20204, 202 472-5740

RIN: 0905–AA88

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610. AVAILABILITY OF BULK NEW ANIMAL DRUG SUBSTANCES FOR USE BY LICENSED VETERINARIANS

Significance: Regulatory Program

Legal Authority: 21 USC 360b Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 514.1

Abstract: This proposed rule would permit veterinarians to obtain bulk new animal drug substances for compounding products for use in their own practice. A number of veterinarians have requested that the regulations be revised in order that bulk new animal drug substances may be legally obtained by them for use in their practices.

Timetable:

Action	Date	FR Cite
NPRM	07/01/85	50 FR 27016
Final Action	11/00/86	

Small Entity: No

Agency Contact: **Frank Pugliese**, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Veterinary Medicine (HFV-100), 5600 Fishers Lane, Rockville, MD 20857, 301 443-1300

RIN: 0905–AB01

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611. OBLIGATIONS OF CLINICAL INVESTIGATORS

Significance: Regulatory Program

Legal Authority: 21 USC 346 Federal Food, Drug, and Cosmetic Act; 21 USC 346a Federal Food, Drug, and Cosmetic Act; 21 USC 348 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 353 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 357 Federal Food, Drug, and Cosmetic Act; 21 USC 360 Federal Food, Drug, and Cosmetic Act; 21 USC 360c to 360f Federal Food, Drug, and Cosmetic Act; 21 USC 360h to 360j Federal Food, Drug, and Cosmetic Act; 21 USC 361 Federal Food, Drug, and Cosmetic Act; 42 USC 216 Public Health Service Act; 42 USC 262 Public Health Service Act; 42 USC 263b to 263n Public Health Service Act

CFR Citation: 21 CFR 16.1; 21 CFR 56.1; 21 CFR 56.2; 21 CFR 56.3; 21 CFR 56.8; 21 CFR 56.15; 21 CFR 56.21; 21 CFR 56.25; 21 CFR 56.26; 21 CFR 56.34; 21 CFR 56.80; 21 CFR 56.82; 21 CFR 56.85; 21 CFR 56.87; 21 CFR 56.90; ...

Abstract: This final rule will clarify existing regulations governing the conduct of persons who conduct clinical investigations on new drug products and extends the regulations to include persons who conduct clinical investigations on medical devices, food or color additives, and electronic products. This final rule will provide greater protection of the rights and safety of subjects in clinical investigations and help ensure the quality and integrity of the research data used to support the marketing of FDA-regulated products.

Timetable:

Action	Date	FR Cite
NPRM	08/08/78	43 FR 35186
NPRM Comment Period Begin	08/08/78	43 FR 35186
NPRM Comment Period End	12/06/78	
Final Action	03/00/86	

Small Entity: Not Applicable

Agency Contact: **Marilyn Watson**, Spec. Assistant to the Division Director, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-360), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3648

RIN: 0905–AB02

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612. ANIMAL DRUG SAFETY POLICY

Significance: Regulatory Program

Legal Authority: 21 USC 342 Federal Food, Drug, and Cosmetic Act; 21 USC 343 Federal Food, Drug, and Cosmetic Act; 21 USC 348 Federal Food, Drug, and Cosmetic Act; 21 USC 360b Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act; 21 USC 376 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 500.80; 21 CFR 500.82; 21 CFR 500.84; 21 CFR 500.86; 21 CFR 500.88; 21 CFR 514.1; 21 CFR 514.11; 21 CFR 514.115

Abstract: This reproposal would establish an operational definition of the no-residue requirements of the anti-cancer clauses of the Federal Food, Drug, and Cosmetic Act regarding food additives, color additives, and drugs intended for use in food-producing animals.

Timetable:

Action	Date	FR Cite
NPRM	03/20/79	44 FR 17070
NPRM Comment Period Begin	03/20/79	44 FR 17070
NPRM Comment Period End	07/18/79	
Amended NPRM	02/11/83	48 FR 06361
NPRM	10/00/86	

Small Entity: Yes

Agency Contact: **Joseph Settepani**, Dep Associate Dir for Human Food Safety, Department of Health and Human Services, Food and Drug Administration, Center for Veterinary Medicine (HFV-301), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4298

RIN: 0905–AB04

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613. REPORTING REQUIREMENTS FOR MARKETED ANIMAL DRUGS

Significance: Regulatory Program

Legal Authority: 21 USC 360C Federal Food, Drug, and Cosmetic

CFR Citation: 21 CFR [illegible].300; 21 CFR 510.301; 21 CFR 514.8

Abstract: This proposed rule would amend the reporting requirements for marketed animal drugs to clarify the information on dosage and species, and to specify reporting requirements for manufacturers. To permit a more accurate assessment of adverse effects related to dosage and species, and to clarify the responsibility of premix manufacturers in reporting adverse effects from use of medicated feeds.

Timetable:

Action	Date	FR Cite
NPRM	10/00/85	

Small Entity: No

Agency Contact: **Andrew Beaulieu**, Director, Division of Surveillance, Department of Health and Human Services, Food and Drug Administration, Center for Veterinary Medicine (HFV-210), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3644

RIN: 0905–AB06

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614. IND REGULATIONS REVISION

Significance: Regulatory Program

Legal Authority: 21 USC 351 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 353 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and

Cosmetic Act; 21 USC 358 Federal Food, Drug, and Cosmetic Act; 21 USC 357 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act; 42 USC 262 Public Health Service Act

CFR Citation: 21 CFR 312

Abstract: This proposed rule would revise extensively the IND rules to improve the efficiency of FDA's operations and to update and clarify its internal policies in reviewing and expediting applications for new drugs. These revisions are believed necessary to improve the efficiency of the drug review process. The result would be greater assurance that safe and effective new drugs are approved as promptly as possible. The undertaking reflects FDA's commitment to refine and improve the entire IND/NDA process. The IND/NDA rules were scheduled for retrospective review announced by FDA in its July 2, 1982 notice (47 FR 29004) establishing priorities for reviewing the agency's existing rules under the Regulatory Flexibility Act and Executive Order 12291. This item was previously listed in the agenda as New Drug Approval Process: Revision of IND/NDA Rules (RIN 0905-AA06).

Timetable:

Action	Date	FR Cite
NPRM	06/09/83	48 FR 26720
NPRM Comment Period Begin	06/09/83	48 FR 26720
NPRM Comment Period End	08/08/83	
Final Action	10/00/85	

Small Entity: No

Agency Contact: Steven H. Unger, Regulatory Counsel, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-362), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4330

RIN: 0905-AB09

615. CURRENT GOOD MANUFACTURING PRACTICE FOR BLOOD AND BLOOD COMPONENTS; UNIFORM BLOOD LABELING

Legal Authority: 21 USC 321 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act; 42 USC 262 Public Health Service Act

CFR Citation: 21 CFR 601; 21 CFR 640

Abstract: This proposed rule would revise, simplify, and update the labeling requirements for any blood and blood component product that is collected or manufactured in a blood bank.

Timetable:

Action	Date	FR Cite
NPRM	10/31/80	45 FR 72416
NPRM Comment Period Begin	10/31/80	45 FR 72416
NPRM Comment Period End	12/30/80	
Final Action	10/00/85	

Small Entity: Not Applicable

Agency Contact: Steven F. Falter, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-366), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3650

RIN: 0905-AB30

616. NUTRIENT REQUIREMENTS FOR INFANT FORMULA

Legal Authority: 21 USC 321(aa) Federal Food, Drug, and Cosmetic Act; 21 USC 350(a) Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 107

Abstract: This final rule will codify and modify, as appropriate, the nutrient profile set forth in the Infant Formula Act of 1980 in the interest of assuring the nutritional adequacy of infant formulas.

Timetable:

Action	Date	FR Cite
NPRM	04/11/84	49 FR 14396
NPRM Comment Period Begin	04/11/84	49 FR 14396
NPRM Comment Period End	06/11/84	
Final Action	10/00/85	

Small Entity: No

Agency Contact: Nicholas Duy, Chemist, Department of Health and Human Services, Food and Drug Administration, Bureau of Foods (HFF-204), 200 C St., S.W., Washington, DC 20204, 202 245-1117

RIN: 0905-AB37

617. SULFITING AGENTS; LABELING IN DRUGS FOR HUMAN USE

Significance: Regulatory Program

Legal Authority: 21 USC 351 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 201

Abstract: The agency is assessing various options to determine the most responsible and feasible course to protect sulfite-allergic people, while ensuring that drug products remain stable, effective, and safe. The agency will monitor the drug industry's program of voluntary ingredient disclosure on labeling to determine if susceptible individuals have adequate information to avoid sulfites. For prescription drugs containing sulfites, the agency is considering requiring, through rulemaking, a warning statement to health professionals, about sulfites.

Timetable:

Action	Date	FR Cite
NPRM	10/00/85	

Small Entity: No

Agency Contact: Eileen Hodkinson, Regulatory Counsel, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-364), 5600 Fishers Lane, Rockville, MD 20857, 301 443-6490

RIN: 0905-AB38

618. LABELING OF DRUG PRODUCTS FOR OVER-THE-COUNTER HUMAN USE (EXCLUSIVITY POLICY)

Significance: Regulatory Program

Legal Authority: 21 USC 321(p) Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 330

Abstract: The agency's exclusivity policy of limiting over-the-counter (OTC) drug monograph labeling terminology to specific words and phrases has been the subject of comment throughout the OTC drug review process. This proposed rule would modify that exclusivity policy as it relates to indications for use and would prescribe the placement of monograph terminology in the labeling of OTC drug products. The modified exclusivity policy would permit manufacturers to use other truthful and nonmisleading statements relating to indications for use.

Timetable:

Action	Date	FR Cite
NPRM	04/22/85	50 FR 15810
NPRM Comment Period Begin	04/22/85	50 FR 15810
NPRM Comment Period End	07/22/85	
Final Action	01/00/86	

Small Entity: No

Agency Contact: William E. Gilbertson, Dir., Div. of OTC Drug Evaluation, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-210), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4960

RIN: 0905-AB40

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619. FOOD LABELING AND USES OF SULFITING AGENTS

Significance: Regulatory Program

Legal Authority: 21 USC 343 Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act; 21 USC 201(s) Federal Food, Drug, and Cosmetic Act; 21 USC 348 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 182.3616; 21 CFR 182.3637; 21 CFR 182.3739; 21 CFR 182.3766; 21 CFR 182.3798; 21 CFR 182.3862; 21 CFR 100

Abstract: Comments received in response to a 1982 proposal affirming that the food uses of certain sulfiting agents were generally recognized as safe (GRAS), the findings and conclusions of the Federation of American Societies for Experimental Biology, and adverse reactions reports (including some reports of deaths), have lead to a reexamination of the GRAS status of sulfiting agents. Sulfiting agents (sulfur dioxide, sodium sulfite, sodium and potassium bisulfites, and sodium and potassium metabisulfites) are chemical preservatives that are extensively used in foods. The agency published a proposed rule to clarify the circumstances under which the presence of sulfiting agents must be declared on the label of packaged foods. The agency is also considering what its options are with regard to the GRAS status of (1) sulfiting agents on fruits and vegetables served or sold raw, (2) sulfiting agents used on potatoes, and (3) other food uses of sulfiting agents.

Timetable:

Action	Date	FR Cite
NPRM	04/03/85	50 FR 13306
NPRM Comment Period Begin	04/03/85	50 FR 13306
NPRM Comment Period End	06/03/85	
NPRM Revoking Use of Sulfiting Agents on Fruits & Vegetables ETC	08/14/85	50 FR 32830
NPRM GRAS Status of the Use of Sulfiting Agents on Potatoes ETC	12/00/85	
Final Action	04/00/86	
Final Action Revoking Use of Sulfiting Agents on Fruits & ETC	04/00/86	
NPRM GRAS Status of Certain Other Food Uses of Sulfiting Agents ETC	08/00/86	
Final Action GRAS Status of the Use of Sulfiting Agents on Potatoes ETC	08/00/86	
Final Action GRAS Status of Certain Other Food Uses of Sulfiting Agents ETC	08/00/87	

Small Entity: No

Additional Information: ADDITIONAL AGENCY CONTACT: NAME: Alan Rulis (GRAS), Asst. to the Director, Div. of Food & Color Additives, Cent. for Food Safety & Applied Nutrition (HFF-330), 200 C Street, SW, Washington, DC 20204, (202) 472-5676.

Agency Contact: Howard Pippin (Labeling), Chief, Guidelines & Compliance Research Br., Department of Health and Human Services, Food and Drug Administration, Center for Food Safety and Applied Nutrition (HFF-312), 200 C St., SW, Washington, DC 20204, 202 485-0175

RIN: 0905-AB52

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620. ADVERSE DRUG EXPERIENCE REPORTING REQUIREMENTS FOR MARKETED PRESCRIPTION DRUGS WITHOUT APPROVED NEW DRUG OR ABBREVIATED NEW DRUG APPLICATIONS

Significance: Regulatory Program

Legal Authority: 21 USC 351 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act; 21 USC 374 Federal Food, Drug, and Cosmetic Act; 42 USC 262 Public Health Service Act

CFR Citation: 21 CFR 211; 21 CFR 310; 21 CFR 600

Abstract: This proposed rule would require manufacturers, packers, and distributors of marketed prescription drug products that are not the subject of approved new drug or abbreviated new drug applications to report to the agency whenever the manufacturer, packer, or distributor receives information about any serious and unexpected adverse event associated with the use of one of its marketed drug products. The agency is taking this action based on recent events whereby serious adverse reactions, which were associated with an intravenous drug product (that was not the subject of an approved new drug or abbreviated new drug application and that is no longer being marketed), were not reported to the agency by the manufacturer, packer, or distributor. Under the agency's current regulations, neither the manufacturer, packer, nor distributor of such a product is expressly obligated to report serious safety problems to the agency. A separate proposed rule for biological products would require reports of adverse experiences associated with the use of licensed biological products.

Timetable:

Action	Date	FR Cite
NPRM	03/21/85	50 FR 11478
NPRM Comment Period Begin	03/21/85	50 FR 11478
NPRM Comment Period End	05/20/85	
NPRM Licensed Biological Products	03/00/86	
Final Action	03/00/86	
Final Action Licensed Biological Products	02/00/87	

Small Entity: No

Agency Contact: Robert D. Bradley, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-304), 5600 Fishers Lane, Rockville, MD 20857, 301 443-6490

RIN: 0905-AB83

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621. ● PROPOSED RULE TO IMPLEMENT THE ORPHAN DRUG ACT AMENDMENTS TO THE FEDERAL FOOD, DRUG, AND COSMETIC ACT

Significance: Regulatory Program

Legal Authority: PL 97-414 Orphan Drug Act

CFR Citation: Not yet determined

Abstract: The Orphan Drug Act is intended to provide incentives for drug companies to invest in the development of drugs for rare diseases or conditions. Certain incentives are necessary because "orphan drugs" are unlikely to be profitable. The agency is required to carry out provisions of the Orphan Drug Act, e.g., by designating a drug as an orphan drug, by providing protocol assistance, and by granting seven years of exclusive approval status. The proposed rule would establish procedures whereby drug sponsors can take advantage of the incentives to encourage development of orphan drugs. While several provisions of the Orphan Drug Act call for promulgation of regulations, the agency is considering the extent to which regulations will be needed to provide the framework and guidance for implementing a program of incentives to drug sponsors and manufacturers.

Timetable:

Action	Date	FR Cite
Interim Guidelines	09/08/83	48 FR 40784
Revised Interim Guidelines	05/09/85	50 FR 19583
NPRM	02/00/86	

Small Entity: Undetermined

Agency Contact: Emery J. Sturniolo, Assistant to the Director, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HF-35), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4718

RIN: 0905-AB55

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622. ● PROPOSED USER CHARGE; NEW DRUG APPLICATIONS, ABBREVIATED NEW DRUG APPLICATIONS, AND ANTIBIOTIC APPLICATIONS REVIEW

Significance: Regulatory Program

Legal Authority: 21 USC 351 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 353 Federal Food, Drug, and Cosmetic Act; 21 USC 355 Federal Food, Drug, and Cosmetic Act; 21 USC 356 Federal Food, Drug, and Cosmetic Act; 21 USC 357 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act; 31 USC 9701 Independent Offices Appropriation Act

CFR Citation: 21 CFR 314

Abstract: The proposed rule would initiate a program that would require drug manufacturers (as beneficiaries of special services that the agency provides) to bear the costs that the agency incurs in reviewing and approving new drug and antibiotic applications, abbreviated new drug applications, and certain supplemental applications. The agency would set fees for different types of applications. The benefit accruing to an applicant under the agency's new drug and antibiotic application review and approval activity is that the applicant may lawfully market its new drug or antibiotic upon gaining agency approval. Review by the agency also benefits applicants by helping ensure that they will market only safe and effective drug products. This, in turn, enhances public confidence in applicant's drug products.

Timetable:

Action	Date	FR Cite
NPRM	08/06/85	50 FR 31720
NPRM Comment Period Begin	08/06/85	
NPRM Comment Period End	09/05/85	
Final Action	00/00/00	

Small Entity: No

Agency Contact: Marilyn Watson, Spec. Asst. to the Division Director, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-360), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3640

RIN: 0905-AB58

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623. ● PROVISIONALLY LISTED COLOR ADDITIVES

Significance: Regulatory Program

Legal Authority: 21 USC 371 Federal Food, Drug, and Cosmetic Act; 21 USC 376(b), (c), & (d) Federal Food, Drug, and Cosmetic Act; 21 USC 376 note Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 81.1; 21 CFR 81.27

Abstract: The final rule will amend the color additives regulations to provide new closing dates for the use of nine provisionally listed color additives (FD&C Red No. 3 and its lakes, FD&C Yellow No. 6, D&C Red No. 8, D&C Red No. 9, D&C Red No. 19, D&C Red No. 33, D&C Red No. 36, D&C Red No. 37, and D&C Orange No. 17) beyond September 3, 1985. A second final rule will permanently list the provisionally listed uses of FD&C Yellow No. 6. The purpose for postponing the closing dates is to permit the uninterrupted use of these color additives while FDA receives and evaluates additional scientific data that is required by the final rule.

Timetable:

Action	Date	FR Cite
NPRM	06/28/85	50 FR 26377
NPRM Comment Period Begin	06/28/85	50 FR 26377
NPRM Comment Period End	07/29/85	
Final Action	10/03/85	

Small Entity: No

Agency Contact: Donna A. Dennis, Supervisor, Div. of Food & Color Additives, Department of Health and Human Services, Food and Drug Administration, Cent. for Food Safety & Appl. Nut. (HFF-334), 200 C Street, SW, Washington, DC 20204, 202 [illegible]

RIN: 0905-AB80

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624. ● CLINICAL TESTING FOR NEW DRUGS

Significance: Regulatory Program

Legal Authority: 21 USC 355 Federal Food, Drug, and Cosmetic Act

CFR Citation: Not yet determined

Abstract: The development of a new drug and obtaining an approved marketing application is a major undertaking and may cost the applicant millions of dollars. Accordingly, it is important that applicants understand what clinical testing must be conducted to obtain final approval of a new drug.

Despite substantial guidance already available to applicants about the clinical testing necessary to meet the statutory standard, important questions about clinical studies inevitably will arise during the drug development process. The agency is exploring various options of providing additional guidance that would be intended to reduce the time and financial costs associated with clinical studies of questionable import. Alternatives include allowing the private sector to continue to rely primarily on their own expertise; providing guidance on a case-by-case basis, for example, during conferences between the agency and drug sponsors before the final states of clinical testing; and developing additional broad guidance in the form of a general guideline.

Timetable:

Action	Date	FR Cite
Request for Public Comments on Options	10/00/85	
Decision on Which Option to Pursue	01/00/86	

Small Entity: Not Applicable

Agency Contact: Steven H. Unger, Regulatory Counsel, Department of Health and Human Services, Public Health Service, Center for Drugs & Biologics (HFN-362), 5600 Fishers Lane, Rockville, MD 20857, 301 443-5220

RIN: 0905-AB61

625. ● ANTIBODY TEST FOR HTLV-III; GENERAL BIOLOGICAL PRODUCTS STDS.; ADDITIONAL STANDARDS FOR HUMAN BLOOD AND BLOOD PRODUCTS; SEROLOGICAL TEST FOR HUMAN T-LYMPHOTROPIC VIRUS, TYPE III

Significance: Regulatory Program

Legal Authority: 42 USC 216 Public Health Service Act; 42 USC 262 Public Health Service Act

CFR Citation: 21 CFR 610.45, (new); 21 CFR 640.2(f), (revision); 21 CFR 640.5, (new); 21 CFR 640.14, (revision); 21 CFR 640.23(a), (revision); 21 CFR 640.33(a), (revision); 21 CFR 640.53(a), (revision); 21 CFR 640.67, (revision); 21 CFR 640.70(a)(11), (new); 21 CFR 640.71(a)(4), (new); 21 CFR 640.72(a)(2), (revision)

Abstract: The Food and Drug Administration is proposing to require that each unit of blood and blood components be tested and found nonreactive by a licensed serologic test for antibody to human T-lymphotropic virus type III (HTLV-III). HTLV-III is believed to be the causative agent of acquired immunodeficiency syndrome (AIDS). If blood tests positive to the test for antibody to HTLV-III, the blood should not be used. Requiring the test on each unit of blood and blood components should decrease the risk of transmitting AIDS by transfusion or parenteral administration of blood and blood components.

Timetable:

Action	Date	FR Cite
NPRM	10/00/85	
Final Action	06/00/86	

Small Entity: No

Agency Contact: Steven F. Falter, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-368), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3650

RIN: 0905-AB62

626. ● IMPLEMENTATION OF TITLE I OF THE "DRUG PRICE COMPETITION AND PATENT TERM RESTORATION ACT OF 1984" (TITLE I)

Significance: Regulatory Program

Legal Authority: PL 98-417, (Title I)

CFR Citation: Not yet determined

Abstract: Until the passage of Title I of the "Drug Price Competition and Patent Term Restoration Act of 1984," abbreviated new drug application (ANDA) procedures were only available for generic products equivalent to pioneer drugs approved before 1962. Title I opened up the ANDA policy to generic copies of products approved after 1962. This rulemaking is intended to establish clear and uniform procedures for the review and timely approval of ANDAs. This should assist the generic drug industry by ending considerable confusion about the procedures governing review of ANDAs. In turn, with the availability of lower-cost generic products, it is estimated that consumers may save millions of dollars. The statute calls for promulgation of implementing regulations, however, the agency also expects to develop guidelines and other policy statements to assist in developing approvable applications.

Timetable:

Action	Date	FR Cite
NPRM	12/00/85	

Small Entity: Undetermined

Agency Contact: Marilyn Watson, Special Asst. to the Division Director, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-360), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3640

RIN: 0905-AB63

627. ● EXTENSION OF PATENTS ON REGULATED PRODUCTS (TITLE II OF THE "DRUG PRICE COMPETITION AND PATENT TERM RESTORATION ACT OF 1984")

Significance: Regulatory Program

Legal Authority: PL 98-417, (Title II)

CFR Citation: Not yet determined

Abstract: Congress passed the "Drug Price Competition and Patent Term Restoration Act of 1984" to compensate research-intensive firms for the loss of patent term due to required testing and government review of premarketing applications for drugs, devices, and food additives. The new legislation imposes an administrative burden on the agency to help determine whether a patent is eligible for extension, to assess the length of premarket testing and review, to determine whether applicants acted with due diligence and to conduct informal hearings. While the statute requires regulations for implementation of the "due diligence" provisions, the agency is considering other alternatives, such as informal guidance or formal guidelines, for implementing other statutory requirements.

Timetable:

Action	Date	FR Cite
Request for Public Comments on Implementing Title II	06/28/85	50 FR 26791
NPRM	03/00/86	

Small Entity: Undetermined

Agency Contact: **Frank Sasinowski,** Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Office of Health Affairs (HFY-20), 5600 Fishers Lane, Rockville, MD 20857, **301 443-1382**

RIN: 0905–AB65

628. ● FOOD LABELING INFORMATION REGARDING GOOD NUTRITION AND HEALTH

Significance: Regulatory Program

Legal Authority: 21 USC 371(a) Federal Food, Drug, and Cosmetic Act

CFR Citation: Not yet determined

Abstract: The notice will announce the agency's tentative approach for permitting truthful and nonmisleading health claims on food labels provided the claims can be substantiated by scientific evidence. The notice will also announce that a standing committee of scientists will be established to review current scientific evidence and determine what claims will be appropriate in order to provide suggested labeling language that may be used by industry. The notice will allow for public comment on the issue.

Timetable:

Action	Date	FR Cite
ANPRM	10/00/85	

Small Entity: No

Agency Contact: **F. Edward Scarbrough,** Chief, Regulatory Affairs Staff, Department of Health and Human Services, Food and Drug Administration, Cent. for Food Safety & Appl. Nut. (HFF-204), 200 C Street, SW, Washington, DC 20204, **202 245-3117**

RIN: 0905–AB67

629. ● FOOD LABELING; LABEL CLAIMS FOR FOODS ON THE BASIS OF CHOLESTEROL CONTENT

Significance: Regulatory Program

Legal Authority: 21 USC 343 Federal Food, Drug, and Cosmetic Act; 21 USC 362 Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 101.9; 21 CFR 101.25

Abstract: The proposed rule would provide a mechanism that will allow relevant, truthful, and nonmisleading claims about cholesterol and fatty acid on product labeling for consumers. This proposed rule resulted from the medical and consumer interest in the association between dietary fat and cholesterol and the occurrence of coronary heart disease, the leading cause of death and disability in the United States today.

Timetable:

Action	Date	FR Cite
NPRM	11/00/85	

Small Entity: No

Agency Contact: **F. Edward Scarbrough,** Chief, Regulatory Affairs Staff, Department of Health and Human Services, Food and Drug Administration, Cent. for Food Safety & Appl. Nut. (HFF-204), 200 C Street, SW, Washington, DC 20204, **202 245-3117**

RIN: 0905–AB66

630. ● ABBREVIATED NEW ANIMAL DRUG APPLICATIONS FOR POST-1962 ANIMAL DRUGS

Significance: Regulatory Program

Legal Authority: 21 USC 360b Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 514.1; 21 CFR 514.2; 21 CFR 514.3; 21 CFR 514.11

Abstract: This proposed rule would permit applicants to file abbreviated new animal drug applications (ANADAs) for products identical to approved post-1962 drugs and to omit certain reports that are required in full NADAs to show safety and effectiveness of the product. It would apply only to certain drug products specified by FDA. If adopted, the proposed rule would reduce duplicative testing of drugs and also reduce the cost to the manufacturer of getting the affected drugs on the market.

Timetable:

Action	Date	FR Cite
NPRM	00/00/00	

Small Entity: Undetermined

Agency Contact: **Richard Lehmann,** Dir., Div. of Biometrics & Production Drugs, Department of Health and Human Services, Food and Drug Administration, Bureau of Veterinary Medicine (HFV-120), 5600 Fishers Lane, Rockville, MD 20857, **301 443-3134**

RIN: 0905–AB72

DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)
Public Health Service (PHS)

Existing Regulations Under Review
Food and Drug Administration (FDA)

631. CURRENT GOOD MANUFACTURING PRACTICE FOR FINISHED PHARMACEUTICALS; RETROSPECTIVE REVIEW

Significance: Regulatory Program

Legal Authority: 21 USC 351 Federal Food, Drug, and Cosmetic Act; 21 USC 352 Federal Food, Drug, and Cosmetic Act; 21 USC 360b Federal Food, Drug, and Cosmetic Act; 21 USC 371(a) Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 211

Abstract: As part of its retrospective review, FDA plans to determine the need for any changes in the current GMPs to eliminate unnecessary requirements and to allow flexibility without undermining protection of the public health.

Timetable:

Action	Date	FR Cite
Begin Review	04/00/82	
End Review	10/00/85	
NPRM	04/00/86	

Small Entity: Undetermined

Agency Contact: Robert J. Meyer, Consumer Safety Officer, Department of Health and Human Services, Food and Drug Administration, Center for Drugs & Biologics (HFN-362), 5600 Fishers Lane, Rockville, MD 20857, 301 443-5220

RIN: 0905-AA73

632. NEW ANIMAL DRUG APPROVAL PROCESS; REVIEW OF NADA RULES

Significance: Regulatory Program

Legal Authority: 21 USC 360(b) Federal Food, Drug, and Cosmetic Act; 21 USC 371 Federal Food, Drug, and Cosmetic Act

CFR Citation: 21 CFR 514.1; 21 CFR 514.8

Abstract: These rules are being reviewed for the purpose of improving, to the extent possible, FDA's practices, procedures and policies with respect to the Agency's review of original and supplemental new animal drug applications (NADA's). The review is intended to improve the efficiency of the NADA review process and to identify any unnecessary burdens imposed by the rules.

Timetable:

Action	Date	FR Cite
Begin Review	08/00/82	
End Review	12/00/85	

Small Entity: Undetermined

Agency Contact: Richard A. Carnevale, DVM, Acting Dep Associate Dir for Sci Eval, Department of Health and Human Services, Food and Drug Administration, Center for Veterinary Medicine (HFV-101), 5600 Fishers Lane, Rockville, MD 20857, 301 443-4313

RIN: 0905-AA90

633. ● MEDICAL DEVICE AMENDMENTS: IMPLEMENTATION IMPROVEMENT

Significance: Regulatory Program

Legal Authority: PL 94-295 Medical Device Amendments of 1976

CFR Citation: Not yet determined

Abstract: Various groups have criticized the provisions of the amendments and/or the Agency's implementation of them. Agency task forces were established to analyze and to explore/develop alternatives or solutions respecting premarket notification, premarket approval, clinical investigations, reclassification, current good manufacturing practice, education, definitions, small business impact, and the repair, replacement, or refund provisions of the amendments and the Agency's regulations thereunder. The task forces have preliminarily identified aspects of the criticisms that are amenable to solution by the Federal government, e.g., revision of existing Agency regulations and initiation of legislative changes. Other solutions may be amenable to cooperative efforts between the Federal government and society as a whole—e.g., education of device users; specific alternatives have not yet been identified. Regulatory priorities/options will be established during the development of any rulemaking activity that the Agency may initiate in response to the task forces' findings and recommendations.

Timetable:

Action	Date	FR Cite
Final Task Force Reports	06/00/86	
Implementation of Task Force Recommendations	08/00/86	

Small Entity: Undetermined

Agency Contact: Philip B. White, Dir., Office of Standards & Regulations, Department of Health and Human Services, Food and Drug Administration, Cent. for Devices & Rad. Health (HFZ-80), 5600 Fishers Lane, Rockville, MD 20857, 301 443-3480

RIN: 0905-AB54

DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) Completed Actions
Public Health Service (PHS) Food and Drug Administration (FDA)

COMPLETED RULEMAKINGS

634. NATIONAL ENVIRONMENTAL POLICY ACT; POLICY AND PROCEDURES

CFR Citation: 21 CFR 25

Completed:

Reason	Date	FR Cite
Final Action	04/26/85	50 FR 16636
Final Action Effective	07/25/85	50 FR 30267

Small Entity: Not Applicable

Agency Contact: John C. Matheson 301 443-1880

RIN: 0905-AA16

[FR Doc. 85-22042 Filed 10-28-85; 8:45 am]

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DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) Current and Projected Rulemakings
Public Health Service (PHS) Health Resources and Services Administration (HRSA)

635. ● LIMITATION ON FEDERAL PARTICIPATION FOR CAPITAL EXPENDITURES REVIEW PROGRAM UNDER SECTION 1122 OF THE SOCIAL SECURITY ACT

Significance: Regulatory Program

Legal Authority: PL 93-641; PL 97-35, PL 95-559; PL 98-21; 42 USC 1302a-1

CFR Citation: 42 CFR 100; 42 CFR 405; 42 CFR 405.435(a); 42 CFR 405.435(b); 42 CFR 405.1890; 42 CFR 447.35(b)

Abstract: This NPRM sets forth provisions under which the Secretary may deny Federal payment under Title XVIII (Medicare) and Title XIX (Medicaid), for expenses related to capital expenditures (1) which the Designated Planning Agency (DPA) has found to be inconsistent with established standards, criteria or plans developed under the Public Health Service (PHS) Act; or (2) for which the DPA was not provided notice as required.

This is a new NPRM which replaces a previous NPRM published August 10, 1983 and is being issued to: (1) incorporate statutory changes made since promulgation of the original regulations; (2) incorporate existing

DENVER DISTRICT OFFICE MOVE

Mr. WHITTEN. Please provide an update of the move from the Denver Courthouse to Building 20 Denver Federal Center. Is it on schedule? What are the costs of the move? Are FDA fiscal year 1986 resources currently sufficient to complete the move?

Dr. YOUNG. The Denver district office and laboratory is expected to move into their new facilities at Denver Federal Center sometime in December, 1986, as scheduled. Building 20 is now 50 percent complete. The cost to FDA for the move is primarily for laboratory equipment, both fixed and portable. The fixed equipment, which is being purchased in advance in order for GSA to install, will cost about $700,000, and is being funded out of our 1986 Buildings and Facilities account. Since the move will take place in FY87, the other costs for laboratory equipment and the actual move will be funded in FY87 and is expected to cost approximately $200,000. These costs are included in our Salaries and Expenses estimates for 1987.

IMPORT MILK ACT

Mr. WHITTEN. Please describe your fiscal years 1985 and 1986 activities related to the Import Milk Act.

Dr. YOUNG. Activities in FY 1985 involved the review of one application to import frozen cream to this country under the Import Milk Act. This included the review of information provided on standard FDA forms to determine the degree of compliance with the requirements of the Import Milk Act, such as a physical examination of all cows in the herd, the tuberculin testing of all cows, inspection of each dairy plant processing or handling the cream for report, sanitary inspection of the dairy farms, and a certified statement that all work was performed by duly accredited officials of the foreign government. Additionally, we responded to a number of telephone calls and written correspondence about the requirements for the exportation of milk and cream products to this country. We expect that FDA's activities in FY 1986 will involve the same general activities.

IMPORT TEA ACT

Mr. WHITTEN. Please describe your fiscal years 1985 and 1986 activities related to the Import Tea Act.

Dr. YOUNG. In FY 1985, FDA issued a continuing tea examination field compliance program to two FDA ports of examination, New York and New Orleans. This program requires that each line in every invoice of whole leaf tea offered for import be considered for examination by FDA tea examiners. The examination is based upon tea standards established annually by the Board of Tea Experts. In 1985, over 173 million pounds of tea were examined. Less than 0.5 percent of the tea offered for import did not conform to the standards of purity, quality, and fitness for consumption, as mandated by the Tea Importation Act and corresponding regulations. This program will continue into FY 1986. Also during 1986, an updating of the Tea Regulations to reflect current practices by FDA and U.S. Customs program personnel is being prepared.

FAIR PACKAGING AND LABELING ACT

Mr. Whitten. Please describe your activities in fiscal years 1985 and 1986 related to the Fair Packaging and Labeling Act.

Dr. Young. As in past years, in 1985 and continuing into 1986, FDA field offices have conducted product inspections for adulteration and misbranding violations under its Domestic Food Labeling and Economics Compliance Program. This program is designed to detect those products whose composition or labeling makes them economically deceptive. Particular emphasis is being placed on product substitution, without appropriate labeling, and short weight products such as nuts, instant tea, instant coffee, spices and overglazed seafoods, which do not comply with the labeled net weight. These inspections are conducted in conjunction with other inspection programs such as the Food Safety Compliance Program. The 1985 Compliance Programs resulted in more than 40 approved legal actions against misbranded/adulterated products, with a combination of violations under the FPLA and the FD&C Act. FDA also has a limited inspection program for adulteration and misbranding of olive oils. The Agency continues to advise manufactureres on appropriate labeling of food products for compliance with regulations established under FPLA.

INSURANCE CLAIMS AND INDEMNITIES

Mr. Whitten. Why do you project a 49 percent increase in costs associated with insurance claims and indemnities?

Dr. Young. The object class for insurance claims and indemnities is made up of costs for uncontrollable legal commitments for employee injury claims. The Department of Labor makes benefit payments for death or injury to Federal employees or other eligible persons and bills the agencies for the costs of these payments in order to reimburse the Employees' Compensation Fund. The billing procedure established by statute requires FDA to pay in 1986 for actual costs DOL incurred in 1984. Along with DOL's notification of reimbursement due, DOL provides FDA with an estimate of costs which will be due the following year. This information forms the basis of FDA's estimate for this object class for 1987.

RENTAL PAYMENTS TO OTHERS

Mr. Whitten. Please explain the request for $2,025,000 for rental payment to others for fiscal year 1987.

Dr. Young. The request for $2,025,000 under "Rental Payment to Others" provides funds for FDA to lease facilities directly without going through the General Services Administration. Of this amount $1,021,000 is to pay for continuation of existing leases. The other $1,004,000 will provide funds to enter into direct lease arrangements for space in Los Angeles and Dallas, under a delegation of leasing authority for GSA. Existing space in these two cities is old and inadequate, and the current lease will expire soon.

CONGRESSIONAL AND PUBLIC AFFAIRS

Mr. WHITTEN. What resources in terms of FTE's and dollars does FDA commit to Congressional and Public Affairs?

Dr. YOUNG. In 1986, FDA will support its Offices of Legislative Affairs and Public Affairs activities with 89 FTE's and approximately $5.0 million. Of this amount, $2,230,000 support salaries costs and about $2,500,000 supports the costs of publications and audiovisuals. FDA's public affairs activities are essential to protecting public health by disseminating, through press releases, vital information regarding product problems such as tampered products, contaminated foods, and faulty devices. As a result of this effort, FDA also receives a high level of press inquiries to which it must respond. FDA's publications and audiovisuals serve to educate industry and the consumer, and have often proven to be more effective in promoting public health than a regulatory approach. Given the return on the money, FDA's investment in Public Affairs is a small one.

Legislative Affairs activities support the analysis of legislative proposals, and responding to over 30,000 congressional inquiries a year. In addition this program is responsible for analyzing the legislative needs of FDA, drafting or developing legislative proposals, and monitoring legislation which may impact on FDA. Also, this staff devotes considerable time to developing information for investigations and hearings by various Congressional oversight and investigative Subcommittees.

I would note in particular that about $600,000 of this total and 21 of these FTEs are for the central Agency management of FOI requests, of which we receive about 45,000 a year and which by law we must respond to within 10 days if feasible.

PHASING OUT NTP SUPPORT OF CONTRACT LABORATORIES

Mr. WHITTEN. Why are you phasing out the NTP software development and maintenance and liaison support of the contract laboratories?

Dr. YOUNG. The NCTR has been providing development and maintenance of software as well as liaison support for contract testing laboratories to the National Toxicology Program under an interagency agreement with the National Institute of Environmental Health Sciences, or NIEHS. In August 1985, the NIEHS Project Officer for this agreement informed the NCTR that NIEHS would be assuming these responsibilities and, thus, would not be renewing the agreement at the end of FY 1986. Therefore, the NCTR has been working with the NIEHS to effect a transition of these activities to that agency and its contract support staff. Successful completion of transition of all liaison activities to NIEHS was accomplished by April 1, 1986. Software development and maintenance activities will be transferred by September 30, 1986. NCTR will continue to provide mainframe computer support until NIEHS has migrated the software systems to their computers.

BOB-CALF VEAL RESIDUE AND CERTIFICATION

Mr. WHITTEN. Please provide us a status report of your current effort with USDA on the future of the Bob-calf Veal Residue and Certification Program. Could you further discuss the continued problems in California and Wisconsin?

Dr. YOUNG. The Bob-veal program was initiated about two years ago by USDA through a rulemaking proceeding. The intent of the program is to drastically reduce antibiotic residues in bob-veal intended for slaughter through use of in-plant testing methods and a voluntary certification program. FDA's role in this program involves follow-up investigations at farms where multiple violations are occurring. FDA has written numerous regulatory letters to violators and is currently pursuing a major injunction action against a dairy operator in the State of Vermont. It is our understanding that USDA's Packers and Stockyards Administration has recommended legal action when false certificates have been presented at slaughterhouse. Finally we understand from USDA that the auction markets in the State of Pennsylvania are withdrawing from the voluntary certification program on May 1, 1986.

Antibiotic residues in Bod-veal continue to be a major problem in California and Wisconsin. FDA met with officials of USDA and the State of California on March 4, 1986 in order to discuss this problem and further enhance our communication and cooperation in solving these problems. A follow-up meeting is scheduled for May 5, 1986.

We understand that the Packers and Stockyards Administration is bringing legal action against two firms in California for signing false certificates.

FDA has increased its enforcement efforts in this area by increasing on-farm investigations and by sending regulatory letters to violators.

Compared to California, the problem is Wisconsin requires fewer FDA follow-up investigations. There are fewer repeat violators, perhaps because the packing company that specializes in calves is billing producers to recover the money paid for contaminated animals. FDA is planning to hold a meeting in the near future as was done in California to explore residue problems in the Mid-West.

REDUCTION TO CFSAN

Mr. WHITTEN. What proposed cutbacks do you have for the Center for Food Safety and Applied Nutrition?

Dr. YOUNG. In 1986, the Center will take its share of Agency-wide reductions associated with Gramm-Rudman, including a freeze on new hiring, reduced operating support for existing employees, cuts in non-regulatory travel, and the scaling back of contract research efforts. Of course, the utilization of Module I of our new laboratory facilities in late 1986 will make more advantageous use of our limited manpower and equipment. Our 1987 request will restore the Agency's resources to the pre-Gramm-Rudman level. Consistent with the FDA Action Plan, fourteen staffyears will be reallocated to the new drug process in 1987.

RESOURCE IMPACTS OF CAPSULE POISONINGS

Mr. WHITTEN. Please provide us with detailed information on FDA's resource impacts as a result of the capsule poisonings of the past year.

Dr. YOUNG. Since February 1986, FDA has spent over $400,000 in extraordinary costs for overtime, supplies, and other unusual operating costs. These costs include not only the investigation and resulting sample analyses of Johnson and Johnson's Tylenol capsules, but also SmithKline Beckman's products of Contac, Dietac, Teldrin, and all other complaints associated with drug product tamperings. FDA has received over 400 complaints associated with Tylenol and has analyzed over 1.5 million capsules. With respect to SmithKline Beckman products, FDA, working with the FBI, found tainted capsules in only Orlando, Florida, and Houston, Texas; yet the Agency received some 67 consumer complaints in 27 States involving these products. All were investigated, and the FDA analyzed some 40,000 capsules of these products prior to their removal from the marketplace. We have not yet completed calculating the cost of our regular staff time devoted to these problems, which will be much greater.

HEPTACHLOR

Mr. WHITTEN. What has been FDA's role in the heptachlor episode in Arkansas, Oklahoma, and Missouri?

Dr. YOUNG. FDA's primary role, after finding heptachlor-contaminated dairy products in Oklahoma, Arkansas and Missouri, has been to stop the contaminated dairy and meat products from reaching consumers, consistent with FDA's authority under the Federal Food, Drug and Cosmetic Act (FD&C Act). We became aware of this recent problem after sampling corn shipped to J.E.E., Inc./Valley Feeds, Inc., Van Buren, Arkansas, for use in their gasohol and animal feed operations. The corn contained high aflatoxin levels. FDA collected additional samples of grain and of spent distillers mash, a by-product of the firm's gasohol production. Analyses of these samples, and samples of milk from dairies which had purchased spent distillers mash for animal feed, revealed violative levels of heptachlor. On February 26, FDA began sampling all milk produced within a 150-mile radius of Valley Feeds, Inc., because Valley Feed's distribution records were inadequate to determine the purchasers of its animal feed. On March 12, 1986, J.E.W., Inc. and Valley Feeds, Inc. were enjoined from selling contaminated spent mash as animal feed.

Our investigation is continuing in cooperation with appropriate state authorities. Over 1200 samples of milk and dairy products have been analyzed by FDA laboratories, 104 or nine percent, of which were found to contain violative residues of heptachlor epoxide at or above 0.1 ppm. Nine firms have initiated recalls of their milk and other dairy products. State authorities have quarantined 56 dairy farms in the three states involved.

In view of the practices of utilizing seed grain to produce alcohol at J.E.W., Inc., we have extended our investigation to other known gasohol manufacturing plants; all have been found non-violative.

FDA district offices are investigating known seed brokers/dealers to determine disposition of surplus pesticide-treated grain.

RESOURCE IMPACTS OF GERBER BABY FOOD INCIDENTS

Mr. WHITTEN. What resources did FDA commit to the Gerber baby food glass incidents?

Dr. YOUNG. Since February 14, 1986, FDA has received 495 consumer complaints from 39 States, Puerto Rico, and the District of Columbia relating to Gerber baby food products. We inspected all Gerber manufacturing plants, analyzed some 51,300 unopened jars, comprising over 150 products from over 700 different codes, and have found minute particles of glass in only 13 unopened jars. So far, this has cost the Agency over $200,000 in extraordinary direct expenses.

CONTINGENCY FUND

Mr. WHITTEN. Has FDA tapped the $1 million contingency fund established by Congress in 1983? To what extent?

Dr. YOUNG. A total of $2 million has been provided to FDA in the past for emergency contingency fund purposes: $1 million of no-year funds were appropriated in 1983, and another $1 million of one-year money were appropriated in 1984. The Agency has tapped into these funds only twice to date. In 1984, $459,000 of the one-year appropriations were apportioned to cover costs associated with an ethylene dibromide, EDB contamination survey following the banning of EDB. At the end of that fiscal year, the remaining $541,000 of the 1984 one-year monies were lapsed.

Thus far in 1986, we have had two major emergencies: the Tylenol incidents and related complaints of drug tampering; and the problems reported concerning glass in baby food. The total extraordinary costs have already exceeded $500,000 and are still mounting. We have just received OMB approval to allow us to use $500,000 of the $1 million of 1983 no-year contingency monies to recover our extraordinary costs associated with these two current emergencies.

APPROPRIATION SUBJECT TO A BUDGET REQUEST

Mr. WHITTEN. Why hasn't the Administration requested some or all of the $6,634,000 appropriated but subject to an official budget request that is contained in the fiscal year 1986 Appropriations Act for FDA?

Dr. YOUNG. This issue was discussed within the Administration in the context of the preparation of the President's Budget for 1987. In the context of the Gramm/Rudman/Hollings deficit restraints, the Administration understandably resolved to eliminate any requests for additional funds if at all possible. As a result, these funds have not been requested by the President.

ANTI-TAMPERING ACT

Mr. WHITTEN. Did the FDA use its authority under the Anti-Tampering Act as a result of the razor blades in hot dogs incident that occurred during the Hormel meat packers strike?

Dr. YOUNG. Since this product is not under our jurisdiction we have not been involved in its investigation. However, in collaboration with the FBI we are pursuing other cases against people whom we believe have violated the Anti-Tampering Act.

CONTRACTING OUT AT NCTR

Mr. WHITTEN. Has FDA accepted a contract for maintenance of its National Center for Toxicological Research? Are the bids consistent with the government estimates for savings?

Dr. YOUNG. The Agency has accepted a contract but has not yet let the contract. The union representing the affected employees has filed an appeal with PHS on their behalf, and the appeal is still pending. Unless the employees' appeal is successful, FDA will proceed with the contract, awarding it by the end of FY 1986. If the employees win their appeal, the process must begin again with new cost-effectiveness studies.

The cost of the contract to FDA will be about $250,000 more than our cost of performing these services with FDA employees. The OMB prescribed A-76 formula, however, shows the overall cost to the government as less, since the formula includes projected costs for employee retirement benefits that are not a part of FDA's appropriation.

ACQUIRED IMMUNE DEFICIENCY SYNDROME

Mr. WHITTEN. Please provide detailed examples of FDA's recent activities regarding Acquired Immune Deficiency Syndrome.

Dr. YOUNG. I would be pleased to submit for the record a brief summary and latest update of FDA's AIDS operational plan, which further describes our AIDS research efforts and programs to protect the blood supply.

[The information follows:]

SUMMARY

In 1985, FDA approved the very first HTLV-III antibody test kit, which permits the screening of blood and plasma used in transfusions. Increased activities by industry and government to develop new products to deal with the AIDS virus will significantly increase the number of product applications submitted for our approval. For example, NIH is establishing new treatment evaluation units in 1986 that will result in a corresponding increase in investigational drug requests in FDA. These applications demand frequent interaction between the sponsor and FDA reviewers. In fact, our contact with the sponsor begins well before an Investigational New Drug (IND) application is even submitted and occurs almost daily in the early phases of the IND trials. Once the clinical trials are completed, we must act with great speed on the new product applications that generally are submitted. FDA will continue to meet this challenge. We have worked closely with drug sponsors and have approved some new INDs for AIDS treatment in as little as 5 days. The same sense of urgency applied to the HTLV-III antibody test kit. We helped five private firms apply a technology developed at NIH to develop a test that detects HTLV-III antibodies in the blood supply. Thus, we were able to approve the first test kit within ten weeks of receiving the application. We have met with every manufacturer who has expressed interest in developing anti-AIDS products to encourage them and to guide them through the drug development process as fast as possible. Recently we have approved still another test, but in this case using the LAV (Lymphadnopathy Associated Virus) isolated by the French investigators and grown in a different cell line.

AIDS OPERATIONAL PLAN

I. EPIDEMIOLOGICAL INFORMATION

Surveillance of Blood and Blood Products

Voluntary testing of blood and plasma for antibiotics to the AIDS virus has been phasing in over the past 10 months, and based on information provided by the major blood and plasma collecting organizations there has been relatively little difficulty experienced to date. The American Red Cross began donor notification July 1 and the American Red Cross, the American Association of Blood Banks, and the Council of Community Blood Centers developed a joint statement of policy related to donor/recipient issues.

II. INTRAMURAL RESEARCH

FDA continued in collaborative studies with NIAID and NCI in characterizing the immune responses and monitoring virologically AIDS patients under treatment at the above two Institutes. Patients with severe herpes virus infections treated with experimental antiviral drugs have shown very promising responses. Patients treated with drugs which inhibit HTLV-III replication are under study.

FDA is a) continuing studies to verify that the process utilized to prepare Factor VIII concentrate for hemophiliacs is sufficient to inactivate the possibly present AIDS agent. Results suggest that the heat treatments currently in use are effective in destroying the infectivity of any HTLV-III which may be present in the plasma used as starting material; b) studying products that inhibit HTLV-III replication in vivo; c) performing studies in primates and other species to develop models for AIDS and at the same time obtain possible diagnostic materials (antisera) from these animals; d) studies of the molecular biology of HTLV-III. Some HTLV-III genes have been expressed in bacteria; e) evaluating assays to detect viral antigens; f) continuing studies on virus distribution and inactivation in plasma fractions; and g) studies of mechanisms of immune deficiency in AIDS.

In addition to the ongoing studies listed in the previous reports, a) FDA has negotiated contracts with several blood collecting centers to: 1) provide antibody positive blood for virus isolation studies and 2) conduct follow-up evaluations on antibody positive donors every 6 months to 5 years; b) reviewed studies to determine the effect of alcohol on HTLV-III (modeled on the Cohn procedure for the preparation of globulins) indicate that the manufacturing process reduces infectivity dramatically and are consistent with results of those done earlier by FDA and two manufacturers of immune globulins using animal viruses similar to HTLV-III. No evidence of these viruses was found in the immunoglobulin fractions resulting from the manufacturing process. Confidential information derived from IND studies indicates lack of transmission of HTLV-III in 71 recipients of multiple doses of IVIG. The original plasma pools used to prepare these products contained antibodies to HTLV-III, evidence that some of the plasma donors were infected with HTLV-III.

More than 30 lots of immune globulin preparations have been tested for the presence of HTLV-III and all have been negative. The majority of the lots tested were HTLV-III antibody positive suggesting that some of the plasma units incorporated were from HTLV-III infected persons; c) studies on the evaluation of efficacy of heat treatment of Factor VIII concentrates indicate that approximately 90-100 percent of plasma infectivity can be recovered in cryoprecipitate, that heat treatment analogous to methods currently in use reduce infectivity of HTLV-III spiked Factor VIII concentrates approximately 100 to 1000-fold, and that lyophilization of the spiked Factor VIII concentrates reduce infectivity approximately 1,000 to 10,000 fold. These data are quite similar to results obtained in most other laboratories. Our results can be used to estimate that the infectivity of Factor VIII is likely to be reduced by more than 10^6 infectious units of HTLV-III, again beyond the "worst case" assumption given for gamma globulin.

FDA established an internal interdivisional task force to assure expedited, coordinated, state-of-the-art review of submissions.

FDA has performed research on the epidemiology and diagnosis of HTLV-III infection which established the presence of this virus in African Green monkeys since 1957.

III. MEETINGS

Attended a meeting at WHO, as part of a planning group developing an agenda on the "Safety of Blood and Blood Products in Relation to AIDS". This meeting is being planned for April 14-16, 1986.

IV. MISCELLANEOUS

FDA has collected information from the major blood and plasma collecting organizations on antibody test results in order to assess the overall picture at a national level. Reports were received from over 150 blood collection centers that screened 2,502,829 units of blood for antibody to HTLV-III by enzyme-linked immunosorbent assay (ELISA) testing during nine 2-week surveillance intervals. Of these 25,324 or 1.01 percent were initially reactive and 8,443 or 0.34 percent were repeatedly reactive. The repeatedly reactive rate for women was 0.33 percent and for men 0.30 percent. Data for source plasma was collected at 275 locations and tested at eight central laboratories showed that for 2,603,652 units screened (which mat represent multiple collections from the same donor) 3,978 or 0.15 percent were repeatedly reactive. Screening results from both blood and plasma collection centers varied over time and between kit. Results will be published.

The Public Health Service Provisional Recommendations of January 1985 included a provision for notification of donors when repeatably positive test results were obtained, and the package circulars for the licensed tests included that same recommendation. FDA recognized that during the phase-in period there needed to be flexibility in the implementation of the donor notification recommendation, so that donors are presented with information which is based on technically sound data. Plasmapheresis centers are notifying donors. Complicating donor notification has been the proliferation of state and local legislation/regulation which prohibits notification of donors for various periods of time.

All registered blood establishments were issued provisional recommendations (July 25, 1985) concerning blood or plasma previously collected from donors currently HTLV-III antibody positive. Foe source plasma, recovered plasma and any other blood product for further manufacturing, it was recommended that for plasma intended for use in non-injectable products or for use in preparing products by a method known to inactivate viruses, quarantive and notification procedures currently applied to HBsAG-reaction units are applicable. For plasma intended for use in preparing injectable products capable of transmitting infectious agents, a "look back" period of 6 months was recommended. For blood bank products for transfusion a "look back" period coinciding with the dating period of the product as recommended. If the plasma use cannot be readily defined, the longer "look back" period is recommended. All registered blood establishments were issued additional guidelines on September 3, 1985 redefining one donor exclusion criteria as: "any male who has had sex with another male since 1977."

All registered blood/plasma establishments were issued guidelines on December 6 and 9, 1985, obtaining the collection and shipment of HTLV-III antibody positive blood products to be used for research and for the production of in vitro requests for which there exists no alternative sources.

AIDS

Mr. **Whitten**. AIDS is considered by many to be the Nation's number one public health priority because it is a uniformly fatal disease. Yet, FDA did not request an increase in funds for fiscal year 1986 for AIDS programs, please explain.

Dr. **Young**. The fiscal year 1986 AIDS request reflects HHS' considered scientific judgment about FDA's role in the PHS' effort against AIDS. This funding level for 1986 is a significant increase over the 1985 level and will permit us to sustain our commitment to the AIDS program and to keep up with developments by the other agencies involved and with research outside the government. At this time we believe our estimate for 1987, which is also about $10 million, will be sufficient to continue this effort and enable FDA to play its unique role as part of the overall Public Health Service program to combat this problem. Of course, the entire area of AIDS research is very dynamic, and it is possible that events not foreseen at this time could require us to revise our estimates.

Our most immediate priorities in fighting this dreaded disease continue to be research to assure protection of the blood supply; involvement in development of vaccines for prevention of, and therapeutics for treatment of, the disease; and rapid response to investigational protocols and marketing applications for products which may have promise. Also, we have provided an exception to our current hiring restraints to be able to hire the staff needed to support AIDS work.

Mr. **Whitten**. Although AIDS funding for FDA is not reflected in the Office of the Assistant Secretary for Health account as is all other AIDS funding, the appropriations language proposed for FDA would appear to allow OASH to have effective control of AIDS funds. Is that correct? Why such a proposal?

Dr. **Young**. You are correct, the appropriations language would enable FDA to be included in the consolidated PHS AIDS plan. Considering the rapid changes in knowledge about AIDS and opportunities to stop the spread of AIDS, the Administration recommends that all PHS agencies involved in the AIDS effort participate in a comprehensive AIDS plan and HHS be provided maximum flexibility in the allocation of funds among PHS agencies. A comprehensive AIDS plan will improve research flexibility and coordination of the multifaceted AIDS program. Flexibility in allocating funds would enable HHS to direct resources quickly and responsibly to emerging opportunities for research and control of AIDS.

HHS has already established an AIDS coordinator to lead the development of a comprehensive AIDS plan. Since FDA is an important part of the Department's AIDS initiative, FDA should be included in the comprehensive AIDS plan.

Mr. **Whitten**. How many FTE's will be allocated to AIDS work in fiscal year 1986?

Dr. **Young**. There will be 70 FTE's allocated to AIDS work in fiscal year 1986.

PRIORITY RANKING OF FACILITIES

Mr. WHITTEN. In order for us to understand the relative priority of your nationwide facilities needs, please provide for the record material that will indicate the priority ranking of buildings and facilities projects.

[The information follows:]

Our building and facility projects are listed below in priority order:

1. General repairs and improvements to FDA field facilities nationwide	$950,000
2. Repairs and improvements to veterinary research facilities at the Beltsville Agricultural research Center	90,000
3. Miscellaneous repairs at NCTR	410,000
Total	1,450,000

NOTE—Although these projects have been ranked in priority order, combined they represent the projects most necessary to maintain the capital investment in FDA facilities and to make the minimal number of improvements necessary to conduct our programs.

GRAMM-RUDMAN SEQUESTRATION

Mr. WHITTEN. When FDA applied the 4.3 percent Gramm-Rudman Sequestration, did it apply the cut uniformly across the board or were certain programs singled out for the cut?

Dr. YOUNG. The 4.3 percent reduction has been applied equally to all FDA programs and project activities with no single program taking a disproportionate share of the cut. The 4.3 percent reduction was moderated in its effect by our anticipating the cut, and reducing in January certain operating costs such as travel, supplies, support contracts, equipment and research contracts. We also reduced personnel costs by imposing at that time hiring restrictions and reductions in overtime, temporary employment, and summer employment.

DRUG EPIDEMIOLOGY BRANCH

Mr. WHITTEN. How was the Gramm-Rudman cut applied to the Drug Epidemiology Branch?

Dr. YOUNG. FDA continues to give high priority to postmarketing surveillance as reflected in the Action Plan. However, it was necessary to make reductions in some of our contracts that support this program. As a result of the reductions, we tried to find ways to reduce spending as much as possible without resorting to a reduction-in-force (RIF) or a furlough of our employees. Since almost 70 percent of the Agency's budget goes for payroll costs, FDA had to make major reductions in its operating budget—particularly in items like training and extramural projects—to protect our core of skilled personnel.

In summary, we opted to impose rigorous controls in spending for such items as travel, equipment, supplies, and extramural projects in order to avoid a RIF or furlough in FY 1986. The most significant effect on our Office of Epidemiology and Biostatistics, the parent organization of the Drug Epidemiology Branch, was to reduce our extramural projects for the collection of drug experience data from $1.2 million to about $800,000.

Mr. WHITTEN. I am not going to question further, but feel free to enlarge your statement here, Dr. Young.

And at this time I yield to Mrs. Smith.

STANDARDS FOR NEW DRUG APPROVAL

Mrs. **SMITH**. I thank you, Mr. Chairman, and welcome, Dr. Young, and welcome to all of you.

I appreciated those comments of yours. Could you tell me what actions the FDA is taking to ensure that testing standards for new and existing drugs will be maintained and improved?

Dr. **YOUNG**. We have done the following, Mrs. Smith. We put together an action plan, which I believe we sent over to you earlier, after a year's study, to try to get a renewal of the agency and a refocusing on priorities. And the highest priority on this was our new product approval.

We have done the following things: first, we have moved resources the best that we could to add individuals to the reviewing process. In 1986, we added 10 new medical reviewers, and we hope to add many more to be able to, by changing our resource mix, have more medical reviewers able to review the products.

Secondly, we have reorganized some of the large amounts of material that has to be delivered to FDA. It is amazing, Mrs. Smith, when a truck backs up and brings a new drug application, it used to be about 150,000 pages. That would be a stack of documents twice my size that would be delivered to FDA. By changing the new drug approval process so that we can deal with summaries, and some international data, we feel that we can drop this from 150,000 to 30,000 pages, and make it a lot easier for us to review. By having summaries, we will be able to see the critical issues. And also we are now requiring that any deaths or serious illnesses during the entire review process are also reported to us.

Finally, we are coupling it with a good postmarket surveillance program which is also a goal in the action plan so that we can see that once the drug is on the market, if there are any problems, we want to know it right away and be able to take action.

Mrs. **SMITH**. I noted in your testimony you said that you thought you could cut the average time from 24 months to 18 months. And I see by your comments that you feel that you could do this without jeopardizing either quality or safety to the consumer.

Dr. **YOUNG**. That is correct. And that is through the NDA rewrite and the IND rewrite. That is the new drug approval process and the investigation of drugs. And with the resources that we have put forward in this budget, we hope to be able to drop that down to 18 months, which would really be very important, we feel, for bringing forward drugs for the American public, and also aiding innovation in the drug companies.

FOOD IRRADIATION

Mrs. **SMITH**. Now the food irradiation program. Is this gaining acceptance by the public and what measures are you taking to ensure public safety?

Dr. **YOUNG**. First of all, Mrs. Smith, I am pleased to inform you that the document that this Committee was so interested in, the regulation on food irradiation, has been approved by OMB and will be forthcoming very soon.

The regulation that we are issuing allows low levels of irradiation of food at safe levels. We have also added a labeling provision so that individuals in the very early stages of use of foods that have been treated with irradiation can identify the product and make a free choice so there would not be any misleading aspects. But we also feel that this will greatly aid our food production because it provides an ability for keeping food fresh and clean without using some of the more harsh chemicals that have produced problems in the past.

Mrs. SMITH. Dr. Young, I appreciate that. But I would like to ask you one more about the treatment of Haemophilus Somnus.

Dr. YOUNG. Let me see.

Mrs. SMITH. It appears that one drug in use allegedly weakens animals instead of strengthening them, and that at least one manufacturer now is recommending an illegal drug to combat the ill effects.

And my question is: Are you folks doing anything about this, or is this a reasonable concern?

Dr. YOUNG. Let me first answer your question in general, and then I believe Dr. Guest is here. Gerry? I am sorry, Gerry is not here, but I will provide the details for the record. He is our Acting Director, Center for Veterinary Medicine.

Basically we have put into place an approach whereby we are listing all of the drugs that are approved in our computer programs. One of our deep concerns is there has been illegal use of drugs, not only drugs that are prescription and extra-label used, but also drugs that are not appropriate for particular medical purpose.

We have a new program instituted within the last few months in the Center for Veterinary Medicine whereby we are able to identify those problems. I have added 24 staff-years in the field to this program, and we have increased our regulatory actions so that we are trying to prevent the illegal use or extra-label use of drugs.

Additionally, a lot of this is also a State problem so we have some contracts with States to try to figure out how we can best get the veterinarians to comply. And I will look into that drug specifically and call you personally and give you a detailed answer, as well as an answer for the record.

CONTACT LENSES

Mrs. SMITH. It has been brought to my attention that hard contact lenses are classified as class III devices with pacemakers, heart valves, etc. . . If you were to reclassify these from class III to class I; could this move take place and how much money would you save by reclassification? Do you have current legislation or would you prepare legislation that would allow for this if this move can be proven feasible?

Dr. YOUNG. Hard contact lenses (which consist of polymethylmethacrylate (PMMA)) are not classified as class III devices. Rather, FDA has proposed to classify them into class II, the performance standards category. It is the rigid gas permeable and soft contact lenses (lenses consisting of polymers other than PMMA) which are class III devices. Rigid gas permeable and soft contact

lenses were automatically classified into class III because they are transitional devices (devices that were regulated as new drugs before enactment of the Medical Device Amendments).

FDA has authority, under section 513(e) of the Federal Food, Drug, and Cosmetic Act (the act), to reclassify a device based on "new information" respecting the device. The "new information" on which any reclassification is based is required to consist of valid scientific evidence which is publicly available. In accordance with section 513(e) of the act, FDA proposed to reclassify some rigid gas permeable and soft contact lenses from class II to class I in November 1982—47 FR 53402 and 53411. However, the proposed reclassifications were unsuccessful because the "new information" did not satisfy the requirements of section 513(e). After evaluating the comments and testimony FDA hearing on the proposed rules, FDA determined that there was insufficient new, publicly available, valid scientific evidence to show that the lenses are safe and effective, to characterize the lenses adequately for the purpose of reclassification, or to demonstrate that either class I or class II would provide reasonable assurance of the safety and effectiveness of the lenses. Class III, FDA found, was still necessary to provide reasonable assurance of the safety and effectiveness of the lenses. Therefore, FDA withdrew the proposed rules and rigid gas permeable lenses and soft contact lenses remain in class III and are required to undergo premarket approval. FDA's decision not to reclassify rigid gas permeable contact lenses was challenged in court by the Contact Lens Manufacturers Association, and the decision was upheld by the United States Court of Appeals for the D.C. Circuit in CLMA v. FDA, No. 84-0125—July 9, 1985.

Premarket approval applications—PMAs—for such lenses and for contact lens accessories account for approximately 30% of the Center's total PMA workload. In FY-85 for example, 33 out of 97 total original PMAs and 151 out of 393 total PMA supplements were for rigid gas permeable and soft contact lenses and accessories. If these two categories of lenses were reclassified from class III to class I, they would be subject to premarket notification requirements rather that PMA requirements. It is difficult to estimate potential savings because PMAs for contact lenses require fewer resources than do most other PMAs, and because the premarket notifications for these lenses would need to contain some of the same information now contained in PMAs.

With respect to the need for legislation on reclassification, FDA is currently reviewing this question as part of a review of the medical device amendments and is not yet prepared to say whether new legislation is needed.

Mrs. **Smith**. That is all, Mr. Chairman.

Mr. **Whitten**. Mr. Traxler.

Mr. **Traxler**. Thank you, Mr. Chairman.

Again welcome, Dr. Young. It is a pleasure to have you good folks from FDA here. You are very important to our health and welfare.

One of the concerns that I have is with the ability of us to detect these minute quantities of toxics, coupled with the requirement on the part of the public to have some information about the degree to which the toxics may be present in their food chain, and concerns on the part of commercial people who provide that food, whether it be commercial fishermen or my beef growers or whoever you have.

One of the difficulties that I have observed is the time involved in doing the sampling for these complex chemicals which may be present in very minute quantities such as in the dioxin family. And, secondly, the costs involved of doing those samples. It is mind-boggling and indeed would hamper even anyone except the most wealthy of the public institutions from doing these samplings.

Do we have more sophisticated equipment that does not cost as much—to use? Or when are we going to have it? When will we be able to do these things faster and cheaper?

Dr. YOUNG. Your question comes to the heart of the regulatory issues today.

We felt in the action plan that one of the most significant things to address was risk assessment. If we do not know what the risks are, how to measure the risk, and how to take the appropriate regulatory action, we will be overconservative, and that was really part of Mr. Whitten's question as well. Because the Chairman was right, you can continue to chase zero to a point where it does not make a difference or, on the other hand, you may not have the instrumentation in place to know what the hazard is.

So, first of all, we have, through the action plan, focused on risk assessment. We are using a coordinated approach under the leadership of our National Center for Toxicological Research in Arkansas in collaboration with our Center for Food Safety and our Center for Veterinary Medicine to determine what the assumptions are. Because the equations in which you deal with risks can vary markedly, if you do not know how you are going to identify a hazard, how you are going to measure it, how you will extrapolate it to human use, and what the significance of it will be.

The second focus is to examine the analytical methods, and here particularly in the field of animal drugs and the residues in animals and, in a sense, fish and other species that are used for food consumption, we must know the levels of chemicals and we need to know the level of drugs.

In another case, Aflatoxin, a naturally occurring carcinogen, we have had an upper bound number for what is safe for years. That has a grave economic problem as well as a health problem because we need to know what level is actually permitted in the grain and what level is the level that we must not allow in interstate commerce. And in that sense, the Center for Veterinary Medicine has a research program dealing with detection of Aflatoxin and determining how this chemical really makes a difference.

So basically it is a threefold strategy, risk assessment, looking at methods, and then doing the experimentation that will enable us to determine how significant the problem really is.

DIOXIN TESTING

Mr. **Traxler**. Well, let me ask you this question.

Let us assume for a moment these given facts: that there is a concern that in particular areas of the country, whether it is in agriculture or whether it is in the fishery, that there are small amounts of the highly lethal toxin, a toxin that could be in that supply. And let us suppose that previously there had been some indications that it was there.

The difficulty here is to run a continuing monitor on that changing environment. You have got in the case of fish, maybe every two years or three years, you have reproduction of new fish. So you want to run continuing samples to see how you are doing and whether you are making progress in cleanup and so forth. But those samples are like $10,000 apiece, and not unusually they will send them to Europe to be done.

Dr. **Young**. We have part of our research devoted to developing methods that would enable us to very rapidly identify compounds—let me give you two examples.

Mr. **Traxler**. Well, it is not a question of identifying, it is a question of measuring.

Dr. **Young**. That is right, to identify them, and I meant to say determining the exact amount that is in there. So it is not only to identify it but also to determine how much.

Let me give you the two examples that occurred recently.

There has been a problem, as you have seen in the press, of contamination by Heptachlor in the Arkansas-Oklahoma area, in which grain used for gasohol treated with a number of pesticides was inadvertently fed to cattle. And it picked up in their fat.

We would have the ability, in collaboration with Agriculture and EPA, to detect that, to detect it rapidly because we have already had the methods available and built so that we can rapidly look for the most common of the toxic substances. And that is part of the ongoing research, both at FDA, the National Toxicology Program, the National Institute for Environmental Health Sciences, and the Department of Agriculture and EPA.

It is a constant examination for better methods. To obtain the most precise, the most inexpensive, and also one that is agreed upon across the government. It is not fair for one agency to come out and use one method and another agency another method.

And Heptachlor was a good example of how fast FDA and EPA went in, inspected, and Agriculture was able to isolate those herds. And we were able to trace it and pretty much quarantine those animals.

Mr. **Traxler**. Do you have within your agency the capability of detecting small amounts of highly toxic chemicals?

Dr. **Young**. Yes, we do. We have that in——

Mr. **Traxler**. I can send you a fish and you can tell me?

Dr. **Young**. We can tell you from a good number of them. We could not tell all of them without a large fishing expedition.

Mr. **Traxler**. Yes. The one that is of great concern in our area still is dioxin.

RISK ASSESSMENT

Dr. Young. Yes, we would be able to detect that, and we do a lot of risk assessment, both in the Center for Food Safety and the National Center for Toxicological Research. And that is exactly why we want to focus on risk assessment.

The other reason for toxic chemicals, were the times that you saw me go on television, communicating with the public what type of cyanide was found in the particular capsules of Tylenol that were tampered with or in that unfortunate case of suicide in the State of Tennessee.

In this case, we have very elegant chemistry so that we can rapidly bring those samples to a single laboratory in Cincinnati, and within a few hours can determine a fingerprint of that particular cyanide. And we have over 200 different cyanides that we fingerprint against.

Those analytical methods are the backbone of FDA's capability of protecting the public.

Mr. Traxler. For public agencies, such as the various States' Departments of Natural Resources, Conservation, or State Health Departments, and most of these Public Health Departments or conservation agencies, they do not have in-house capability of finding that small amount of the toxic which is, well, minute in amount. We are fearful it could be rather deadly or potentially deadly to the consumer.

Where do they send that for analysis? Where does that go? Who does that?

Dr. Young. Well, basically that is done in FDA, depending on the compound.

GERBER BABY FOOD

If you look at the case where we had Gerber's——

Mr. Traxler. Well, I would rather not mention——

Dr. Young. It is not a toxic compound but glass. But I want to use it as an example if I could, sir, because it serves to point this out.

Here when there was a problem, the State of Maryland came down to the Center for Food Safety and Applied Nutrition in our Federal Office Building 8, with the corporate individuals, and together, all three parties, FDA acting as the adjudicator and the performer of the analyses, worked on the particular case. And together all three were able to watch FDA's scientists in action on that.

So we actually bring, when necessary, the interested Health Department individuals right into our laboratories and work side by side with them.

We did that in the case of Tylenol. I, because I have had some experience as a coroner in my practice of pathology, worked with the coroners when we identify dangerous compounds found in human disease. And we are able to have the scientists from other corporations, or the scientists from States in, and we work very closely with the local Food and Drug Administrators in the States or in the particular Health Departments. So we have a network.

TOXINS IN THE FOOD SUPPLY

Mr. **Traxler**. Yes, I want to come back now to the problem of the toxic chemical in the food supply. And let us stay with fish for a minute because that is one of keen interest in some parts of the country.

We fear that just small amounts of certain of these toxics may be very unwholesome for human beings.

And the question is States find it very difficult to pay $10,000 per fish to have it sampled. And how often can you do that? And you go back to the old fishing hole, you know, four times a year and you cannot just do one fish, clearly. You are looking at costs that have become prohibitive in terms of being able to assure recreational fishermen, for instance, that the old swimming hole fish are safe to take.

So what is the solution here? What is the answer there?

Dr. **Young**. We feel the solution is as follows:

First, we need to have the appropriate methods, just as you pointed out, so that we can analyze it, using cost-effective methods.

Second, we have to work in collaboration with the States. And, in fact, we are doing that right now with the State of Maryland, I believe, looking at some of the residues in bluefish.

We then take those results and try to make an extrapolation of whether there is a real health risk. There is a big difference between identifying a compound, as I said in my answer to the Chairman. And then, on the other hand, establishing that there is a significant risk. We want to know when we find a chemical whether it is significant. If it is insignificant, that would be something which we would essentially call a de minimis risk and one not worth worrying about. If it is significant, we want to take our appropriate regulatory action.

Mr. **Traxler**. For the costs that we are trying to get down for the experiments, $10,000 per fish seems to be an exorbitant amount of money to pay to determine whether you have, and I recognize we are talking in terms of trillionths of a pact here, but that amount present in that particular fish or animal, the costs just are astronomical. And what are future prospects, if you know? I mean, clearly you are not an apparatus manufacturer, but you use it.

When are we going to get equipment that is cheap and will do the job, so that we do not have to pay $10,000 a fish? That is my question.

Dr. **Young**. I wish I could answer, and I would like to know what the particular analyses are. I will try to get the information and discuss it privately with you and find out and do whatever research is necessary to answer that.

But here is the answer in principle: I think we need to support research on methods so that we can look for the best methods, the most economic methods. That is one of FDA's missions, and we feel very strongly about it.

Mr. **Traxler**. I will talk to you later. Thank you.

Dr. **Young**. Thank you.

DRUGS AND THE ELDERLY

Mr. **Whitten**. Mr. McHugh.

Mr. McHugh. Thank you, Mr. Chairman.

Dr. Young, I am delighted to have you and your colleagues with us today.

My questions go to an issue which has been raised by a number of elderly, advocacy groups. They are questions which I am sure you have heard, and I would like to get your response for the record.

First of all, the concerns that I have heard raised relate to the impact of drugs on the elderly as distinguished from other age groups. It has been alleged that drugs which may be efficacious and safe for a nonelderly age group might not be efficacious or safe for elderly people because of changes which take place in the aging process.

A second question relates to the interrelationship and interaction of different drugs that may be taken at the same time by older people. Each drug taken alone might be effective and safe, but if two or more of these drugs are taken together, the reaction or interaction may be adverse.

And the third concern that I have heard expressed relates to how information about these two other issues is distributed to medical practitioners and the consumers themselves.

Would you tell us what procedures are used by FDA to deal with each of these issues? Let us take first the question of the impact on the elderly as a group of a particular drug or proposed drug as distinguished from the impact it might have on other groups.

Are the elderly considered as a separate control group when you are assessing the efficacy and safety of a proposed drug, for example, a new drug?

Dr. Young. Increasingly, sir, we are looking at the use of clinical trials in older people, and we have guidelines that have been developed. I would like to submit those for the record so that you can see the way in which we are sensitively trying to deal with this, because as a physician, I agree that your question is correct. On the two to five thousand that we usually try drugs on in the clinical trial, it is impossible to cover all spectrums of the population. The nursing female, the older individuals and the young children are people that we are looking at with greater concern. They are not usually used in clinical drug trials. So we are focusing on that, and I will send those guidelines to you for the record.

[The information follows:]

Two guidelines specifically refer to the need to use target populations in clinical trials. The "General Considerations for the Clinical Evaluation of Drugs in Infants and Children" Guideline addresses needs of pediatric populations. The Abstract and Foreword sections explain the background as to how that guideline was developed. The guideline "General Considerations for the Clinical Evaluations of Drugs", deals with many aspects of drug development and contains subsections that bear on the needs of special groups such as the elderly. The Foreword section explains the background on the development of this guideline. A third guideline, recently proposed, also bears on this question. This Guideline for the Format and Content of the Clinical Data Section of An Application will discuss all aspects of the clinical submission in an NDA and will contain sections which specifically ask for analysis of safety and effectiveness results in subgroups of the treated population, such as the elderly and people with concomitant illnesses and concomitant therapy.

You asked specifically about guidelines for taking into account the special needs of the elderly. A guideline in this area is under development. Work on it began in earnest after a December 1982 meeting between representatives of FDA, the National Institute on Aging, and the American Association of Retired Persons to discuss the need for, and scope of, specific guidelines for drugs in the geriatric population. At that meeting it was agreed that a task force composed of FDA and the National Institute on Aging representatives would develop a document on testing of drugs in the elderly. Subsequently, in September 1983, a discussion paper on testing of drugs in the elderly, written by Dr. Robert Temple, Director of FDA's Office of Drug Research and Review, was circulated widely both within FDA and to the outside scientific community. It has been a topic for discussion or workshops at several professional meetings in which either Dr. Temple or other FDA staff participated with the Pharmaceutical Manufacturers Association, the Drug Information Association, and the American Society of Clinical Pharmacology and Therapeutics.

We expect to formally propose a geriatric testing guideline in the near future, but the discussion paper and subsequent workshops have already had substantial impact such as the section of the NDA Format and Content Guideline cited above. The drug industry has also begun to analyze differences between older and younger patients in NDAs, even without a formal guideline.

Guidelines are prepared for the purpose of assisting applicants in presenting information and data that are acceptable to FDA. They are not regulations that absolutely require such information. Of course, a lack of such information if it is deemed critical, can be reason for rejection of the application or, labeling restrictions to reflect limitations of available knowledge. The Agency's experience is that applicants do attempt to follow FDA guidelines and public statement of policy to expedite the approval of their application.

Mr. McHugh. Is it fair to conclude from what you have said that until recently, the elderly have not really been looked at in the clinical trials that you have undertaken?

Dr. Young. To the best of my knowledge, that is correct. And it was one of the reasons why we have focused on this recently.

Mr. McHugh. I would appreciate your submitting that information.

DRUG MIXING

Dr. Young. The second part deals with the mixing of drugs, and I think that again is an area we addressed in the Action Plan by focusing on adverse reactions.

We feel that there can be a great deal of interaction between one drug and another, and interestingly, again going back to my background in pathology and dealing with clinical laboratory tests, the drugs that you take can make abnormal laboratory tests and can particularly elevate or depress values. So the knowledge of what a person takes is very critical.

We have tried to focus through the efforts of Mr. Rogers, who is well known to the House, in his association with patient information. This year the campaign will focus on the elderly. And we have a major program that will be coming forward in his NCPIE approach, particularly targeted at the older population. I will send you the communications that Mr. Rogers and I have been working on, because we are highlighting that in their annual campaign this year.

I have personally tried to advocate that one of the best things an older person can do—and now, I guess since this is my 55th year, I will define older as 55 and above—is the ability to keep a medical log so that we know what we are taking. We keep good records on our car maintenance and on our times we get the furnace cleaned, but few of us keep records on what medicines we take and the adverse reactions to them. And I have been pushing this in many of my speeches, and I will do so with increasing vigor.

Mr. McHugh. I would imagine that testing the interreaction of different drugs would be very difficult.

Dr. Young. Yes, it is.

Mr. McHugh. As you have indicated initially in your testimony, it is only recently that FDA has begun to focus on the elderly group as a group for purposes of clinical testing of one drug.

Dr. Young. That is correct.

Mr. McHugh. That is important. I am pleased to hear that you are doing that.

ADVERSE DRUG REACTIONS AMONG THE ELDERLY

But if we then add the complication of an elderly person taking different kinds of drugs, the mix obviously could have many different combinations. It seems to me that that would be a very important issue but a very difficult one to handle.

Can you give me any more specific detail as to how you are going to do that?

Dr. Young. We have built, under the leadership of Dr. Gerald Faich in the Center for Drugs and Biologics, a major epidemiology program dealing with adverse reactions. He assembles from around the country the adverse reactions that are reported to us, approximately 40,000 a year. And we are now to the state where in about two weeks' time, we have them entered into our computers. And our computers can then look for patterns of Drug A that is reported as possibly having an interaction with Drug M. And then we can cross-check through the computers and very rapidly identify a rather obvious impact.

If it is a subtle one, it is really something that we rely on the physicians for. Just this year, we have started a new column through the support of the American Medical Association wherein once a month in the Journal of the American Medical Association, which has the largest medical circulation in the world, we have a column from the FDA. That will carry about four to six very small, bullet-like items, and if we find an adverse reaction that appears to be occurring, we can within one month get it into that journal and then have physicians comment back on it. In fact, I was down in Florida talking with some hospital officials that were concerned about a bone cement possibly having an adverse reaction. And the physician appropriately reported it. We investigated it. There was no problem with that, but we are constantly looking for adverse reactions.

We cannot just rely on drug approval. It is important, but we only look at the treatment of two to five thousand people during the entire drug approval process. Then the drug is given to millions. So an adverse reaction reporting system like Dr. Faich's has put together is critical, and we are trying to augment this and we will take special note of your concern on interaction of multiple drugs.

I will submit for the record a copy of the FDA Action Plan. Provisions pertaining to collection of and monitoring of data on adverse drug reactions and interactions are outlined in Section 3, pages 23-29. The main objectives of the plan deal with FDA's efforts to improve direct reporting by physicians (pilot projects are currently underway) under the auspices of state agencies; efforts to use computers and modern data retrieval technology to speed and expedite processing of 1639 forms submitted by manufacturers and health professionals; efforts to develop a program of feedback to health professionals by annual summaries of adverse reaction reports, communications in professional medical journals, and making 1639 forms for reporting adverse reactions more readily available to physicians; implementation of guidelines for use by manufacturers in reporting of adverse reaction reports, and plans to monitor industry compliance with new regulations. In addition, FDA has proposed regulations directed at adverse reactions occurring to unapproved drugs and biologics.

I will also submit for the record a status report of January 1986 on FDA's patient education activities of special interest is Section II which discusses initiatives involving the elderly.

[CLERK'S NOTE.—Due to the length of the FDA Action Plan and the status report on patient education activities they will not be printed in the record but will be retained in Committee files.]

INFORMATION DISSEMINATION

Mr. MCHUGH. You have touched upon the third concern. Once you have identified adverse reactions in combinations of drugs that might produce an adverse reaction, how do you get that information to people so they know that these combinations have proven in a significant number of cases to be a problem.

Now, you have mentioned your newsletter which you send to the medical profession primarily, I assume.

Dr. YOUNG. That is correct.

Mr. MCHUGH. That is very important. Is any other information sent?

Dr. YOUNG. Yes. There are three other mechanisms that we use. If it is a major adverse reaction, we will send a Dear Doctor letter to all of the practicing physicians. We have a list of them so that we are sure that it gets out and gets out rapidly.

We also have what we call talk papers. We then put these on our wire service, on our electronic mail, and we also make the talk papers available to our consumer affairs officers who are around the country.

And then the final mechanism is to work with the company, and if it is a major problem, request a voluntary recall take it off the market.

Mr. MCHUGH. I assume that you would also work with these organized groups of elderly people who are most concerned about this.

Dr. YOUNG. Yes, we do. We do meet with them. I am sorry. That was part of our constituency, and I should have emphasized that. We do meet with the various medical and health professional groups, and I meet with them about quarterly and go over various topics facing FDA. We have a health professional group that essentially works on that.

ADVERSE DRUG REACTIONS

Mr. McHugh. Please detail for the record the way in which the FDA collects the data on all drug reactions and how the information is made available to the medical community and consumers. Please also explain how the FDA makes a decision to alert interested persons that drug reactions are being reported.

Dr. Young. The FDA has an on-line data entry and retrieval system which enables it to process approximately 50,000 reports annually from manufacturers and health professionals related to the adverse reaction of drugs. Serious reactions not described in drug labeling and all reports from non-manufacturing sources are reviewed by professional staff to determine whether further action is necessary. Information about important reactions are transmitted to the medical review divisions which are in a position to take appropriate actions. All reports of adverse reactions from all sources are routinely monitored by FDA's drug surveillance staff. Special attention is given to serious reactions not described in the drug labeling. Actions may include notification of manufacturers, physicians, the medical community, or the public. FDA reaches a decision to alert interested persons through a combination of individual professional review, special review committees, and collaboration with the appropriate medical review divisions. This procedure enables FDA to decide on a particular course of action which may include informing the medical community and/or the public of potential risks.

A more detailed explanation of the procedures involved in the collection and analysis of adverse reaction reports by our drug surveillance staff will be submitted for the record.

(Clerk's note.—The report is too lengthy to place in this record. A copy of the full report has been received by the Committee and will be retained in committee files.)

DRUG USE TRENDS ANALYSIS

Mr. McHugh. Please explain the point at which the trend analysis indicates that a public notice of a drug's adverse effects is required by the FDA. Also, please explain how the FDA decides what level of warning to issue to the medical community and consumers.

Dr. Young. The FDA utilizes trend analysis in two contexts: first, in monitoring the number of adverse reaction reports and second after taking into account drug usage, the analysis of increased frequency of reports, especially labeled but serious adverse reactions. FDA's review procedure enables it to identify specific drug event relationships which require monitoring. These are referred to internally as monitoring adverse reactions. New chemical entities are routinely monitored for the first three years of marketing. When a series of unlabeled reactions or an increased frequency are noted, FDA's drug surveillance staff, in conjunction with the appropriate medical review division, initiates the necessary actions to alert the manufacturer, the professional medical community, and the consumer.

The level of warning which may be issued depends on the extent and severity of reactions. For, example, since Reye Syndrome is a very rare but life-threatening possibility when aspirin is given in certain circumstances, and since this is an over-the-counter drug, we have conducted nationwide public information initiatives. For prescription drugs, we may seek to notify physicians of adverse effects through professional journals or our own periodic Drug Bulletins, or in some cases we may attempt, directly or through the manufacturer, to contact all physicians as quickly as possible.

Mr. McHUGH. Thank you very much.

Dr. YOUNG. Thank you.

Mr. WHITTEN. Mr. Skeen.

Mr. SKEEN. Thank you, Mr. Chairman.

Dr. Young, good to see you again.

Dr. YOUNG. Good to see you, sir.

ANTIBIOTICS IN ANIMAL FEED

Mr. SKEEN. I am sorry I was not here for the beginning. I am sure you acquitted yourself very well. If you have answered this question or anything related to this before, why, let me know and I will just go ahead and read the record.

That has to do with the animal drug review which I have a particular interest in. What have been the findings or have we had any update on the use of therapeutic doses of antibiotics in animal feeds and that practice. I know that you are interested in this particular thing.

Dr. YOUNG. Yes. I am particularly interested in this. We had the action on the imminent hazard petition this year, and we made our recommendation to the Secretary, and the Secretary acted on that and ruled that the use of antibiotics in subtherapeutic doses in animal feed did not represent an imminent hazard.

We are now just about completing our summary of all of the literature dealing with the subtherapeutic use of antibiotics in animal feed, and it is my intention then to get a Public Health Service-wide committee that will review the results in the literature and the data that we obtained at the hearing and make a recommendation for consideration on this topic.

I really do not have a preconceived notion at this moment as to where it will come out. We want to do a very careful scientific assessment, and then do what is right in regard to the presence of antibiotics in animal feed.

Mr. SKEEN. Very good. And you still have an ongoing program for use of new types of drugs and so forth in this same area?

Dr. YOUNG. Yes, we do. We feel that it is important, wherever possible, to use drugs that are not used in human therapy in antibiotics and other forms in animal feed.

Mr. SKEEN. The bionic change difference. Thank you very much. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Natcher.

Mr. NATCHER. Mr. Forbush who sits there at the table with you, Dr. Young, will tell you that in the Department of Health and Human Services, and especially at the National Institutes of Health, we always look at the money.

Do you have any extra money in this bill we could use, Dr. Young?

Dr. **Young**. Do you mean for the National Institutes of Health or other parties?

Mr. **Natcher**. Yes.

Dr. **Young**. I am afraid not, Mr. Natcher. This is a bare-boned budget. We are really squeaking right where we are.

But it will adequately meet our needs if we fully have all the funds that are requested in this budget.

INTERACTION WITH OTHER AGENCIES

Mr. **Natcher**. You do have a good working relationship with the National Institutes of Health and the Department of Health and Human Services.

Dr. **Young**. Yes. I feel we have an excellent relationship. Dr. Wyngaarden and I have known each other for almost a quarter of a century, and I have served on at least four NIH study sections during my academic life. The NIH stands as a citadel of research and is a leader in worldwide establishment of biomedical research, and we support them fully. In the case of AIDS, it is our pleasure to work rapidly with them, and in less than 180 days, approve or disapprove any new agents that are brought forward for that, whether they be vaccines or drugs.

Mr. **Natcher**. Thank you very much.

Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Durbin.

Mr. **Durbin**. Thank you, Mr. Chairman.

Thank you, Dr. Young, for coming by today with your colleagues.

ANIMAL DRUG REVIEW

I guess one of the biggest news stories over the Christmas holidays for most Americans and for your agency had to do with the report of Congressman Weiss' subcommittee concerning food safety and the regulation of animal drugs. I followed that issue closely. It received a lot of national attention. I have read portions of this committee report, and I would like to ask for your comments, particularly on the quote on page 2 of the committee report that, "The Center for Veterinary Medicine officials believe that as many as 90 percent or more of the 20,000 to 30,000 new animal drugs estimated to be on the market have not been approved by the FDA as safe and effective, and therefore are being marketed in violation of the new animal drug approval requirements of the Food, Drug and Cosmetic Act. It is estimated that as many as 4,000 of these new animal drugs may have potentially significant adverse effects on animals or humans."

I would like you to respond to that comment, and if you believe there is merit to it, in any respect, to tell me what you are doing in this budget to take care of that problem.

Dr. **Young**. Surely. I would like to address where the truth and where the fiction is of that particular issue and tell you exactly what we are trying to do with it.

First, it is true that 90 percent of the drugs have not been approved by FDA, but it is also true that those 90 percent of drugs not approved by FDA constitute only ten percent of the total usage of animal drugs. There are a lot of drugs on the market. I am just making some up now, Farmer Jones Hoof Liniment or Dr. Smith's Knee Salve, and vitamins and minerals that are used widely in the practice of animal husbandry, that are used in a sense widely—widely available—but used in very small amounts.

The drugs that are important for treatment of animals, particularly those that have been approved since 1972, those drugs have been certified for their safety and their effectiveness by FDA. And also we have methods to assay the residues there.

So when we are talking about these 20,000 drugs, we are talking about a very small problem. But it is not even to have even a small problem, so what we have done is taken some funds out of our very hard-pressed budget this year, and we have bought the computers that are required and we are in the process of putting a complete listing of all of the animal drugs in place so that we will have that available by September.

Then we are targeting the drugs that are of major concern, that we consider a possible problem in humans, and we are removing those from the market. We have a couple that are already under consideration now, one before an administrative judge, and it takes a period of time to get those off the market, but we have been focusing on them.

ANIMAL DRUG REVIEW

Mr. DURBIN. Your examples of the liniment and the salve, are they exempt from the Food, Drug and Cosmetic Act that was referred to?

Dr. YOUNG. No, they are not exempt, but they are things that would have been there since the turn of the century or in the early portion of the 20th century, and when we have so many important and major problems, we have tried to take action on the drugs that are most widely used and that present the highest degree of problem. We have dealt with this strategy in this way rather than looking at a broader number of drugs in our review.

So it is a review for cause rather than a total review.

Mr. DURBIN. Isn't it difficult to predict which drugs you are not going to study because such a low incidence of their use may not be harmful?

Dr. YOUNG. In some instances, yes, but in the vast majority, no. In the case of vitamins and minerals, that is not a problem because those are widely known for their human use as well as animal use. But some of those would not have been certified. Solutions that are used are not the case. Some of them, particularly in cows, are used in washing various parts of the animals for food collection.

So we make our best medical judgment or best veterinary medicine judgment, and then develop a for cause review. But, yes, we do not have the resources to do everything, and we are trying to prioritize primarily dealing with public health issues.

Mr. DURBIN. Let me ask you to comment on the statement that was made that as many as 4,000 of these new animal drugs may have potentially significant adverse effects on animals or humans. I take it that came from the committee testimony.

Dr. YOUNG. I think it was more conclusory, but it is like a comment that the chairman was making about the everlong quest for zero. You can say this may be a problem, but solving the problem is an awfully long road.

The Center has developed a list of about eight drugs that they feel are real problems, and those are the ones that we are giving attention to.

Mr. DURBIN. Although the achievement or goal of zero may be humanly impossible, scientifically impossible, I assume that in your responsibility with the FDA you are striving toward that goal, nevertheless.

Dr. YOUNG. Yes, and that is the very reason why we have put the computer program together so we can list all these drugs and get the best appraisal of those that have some significant problems. And where there are significant problems, our pledge to you is to work on it. But we did feel that by saying that there were 20,000 drugs out there that were not approved by FDA, that that was a bit overblown and troubled the American people, particularly the hard-hit farmer in this nation.

BUDGET REQUEST

Mr. DURBIN. What was your request to OMB for your budget this year in pursuit of this goal?

Dr. YOUNG. The budget is as indicated in the documents, and that would provide a portion of the budget through the use of user fees, and that portion is only for new drug approval. And we do have legislation that is being drafted now to meet with that authorization. It is a key item for us.

Mr. DURBIN. Do I understand you to testify that you went to OMB and asked for exactly what you received?

Dr. YOUNG. That is an interesting question. I did not understand your question that way.

We pursued our budget request with the department, and that departmental request then was brought forward from the Secretary to OMB. The budget that you see there would fully meet our needs if FDA fully had that amount available to it.

Mr. DURBIN. Sometime I am going to get to the answer.

What did you request from?

Mr. FORBUSH. Mr. Durbin, I do have the numbers at the table. It was $504 million that was requested for the Food and Drug Administration for Fiscal '87 by the Secretary of HHS, and that is comparable to the $449 million operating level in our budget request to this committee. That includes $25 million from user fees. The appropriated level is $423 million, but the operating level is $449 million.

Mr. DURBIN. And you were looking for $504 million? Is that where you started?

Mr. FORBUSH. Yes, sir. That did include funds for so-called Module II at Beltsville, to construct a new laboratory and office building.

Mr. DURBIN. So if you bring in the user fees, you received about ten percent less than what you wanted?

Mr. **Forbush**. Yes. Building projects were $31 million of our request, so $472 million was the operating budget requested of OMB.

Mr. **Durbin**. And you received somewhere in the neighborhood of $450 million, did you say that was correct?

Dr. **Young**. That is correct.

Mr. **Durbin**. So it is a $22 million difference, give or take a few million?

Dr. **Young**. Yes, and I should add for your point of reference because you are so appropriately concerned about animal drugs that Module II, which is to be next to Module I dealing with food safety, which was the thrust of some of the other questions, is designed for animal drug and animal food testing.

It is an extremely important module for FDA, and actually in the action plan came as the highest facility priority.

PESTICIDES

Mr. **Durbin**. Let me shift to another subject. I recently visited Southern California and was educated on what is going on down there in terms of the vegetables and fruit production.

One of the things I was surprised to learn is that some vegetables are now being raised almost exclusively in Mexico. Green onions, for example.

Dr. **Young**. Yes.

Mr. **Durbin**. The Mexican people because of the development of irrigation and the like have been able to displace the American producers, and our growers are going after different products.

Some of the California producers that I spoke to were concerned about the pesticides and herbicides being used in Mexico. It is their belief that there are things being applied to the crops in Mexico which have been banned in the United States for years.

What kind of efforts are you making, and how successful are you in monitoring imports of various food products including produce, to determine whether or not a pesticide or herbicide which is illegal in the United States is being applied to these products?

Dr. **Young**. First, you are absolutely correct that illegal pesticides and herbicides are being applied. We have a program in which we examine the imports coming to the U.S., and I have asked that the import inspections be increased. At the moment we can only inspect approximately 3 to 5 percent of all of the imports, and that is a very low number. We are targetting to double that within the next few years.

You can imagine in the case of tomatoes, where about one-third of the total crop of tomatoes all the way up to Chicago comes from Mexico, the horror of dealing with the problem. The trucks line up at the Mexican border.

We then take a few bushels of tomatoes, fly them to our Los Angeles laboratory where we can very carefully analyze the residue of pesticides.

We cannot stop the truck that has gone through, but we can stop that particular area from bringing in the next series of crops. However, we can only look at about 5 percent, and our violation rate is substantial enough that we want to increase that. The limitation is with the amount of inspectors and the amount of laboratory work that we can do. We feel it is a high priority.

Mr. DURBIN. What cooperation are you getting from the producing countries?

Dr. YOUNG. We have a lot of cooperation, and we have a Latin American initiative that we started just about a year and a half ago whereby we are working with the Food and Drug Administrators in those particular countries to train them in the laboratory methods and food inspection so that the foods will arrive in the United States with the appropriate pesticides used and not illegal ones.

We feel that if we can educate those particular officials and work in a collaborative fashion we can get foods that are of higher quality here. We can also help those nations by pointing out what pesticides may be inappropriate for them to use for their own people.

TESTING IMPORTS FOR PESTICIDES

Mr. DURBIN. Do you have any facilities or personnel in these countries that can test on-site rather than wait until the truck, full of a perishable commodity, is on the side of the road?

Dr. YOUNG. We are working in a collaborative fashion with these countries to do it. The first two countries that we have selected to work with on this are Costa Rica and Jamaica, where we are trying to work out model systems whereby they can do the analyses and work together and see how we can devise a program that would help do just that—look at it before it comes to the U.S.

We also do the same thing with Mexico, and if you would like, I could ask Dr. Miller, who has been very extensively involved in international activities to make a few comments. He is sitting here.

Mr. DURBIN. Fine.

Dr. MILLER. Thank you.

The programs that we have been developing over the past several years, include both in-country certification and training and monitoring.

When certification processes are first put into effect, we look at essentially 100 percent of the products coming to the border and then, as we find that the certification certificates are correct, we reduce it.

We have these agreements now with some 22 countries around the world, and in most cases they work exceptionally well and in other cases, where they have not worked, we have dropped the agreement with these countries. Their products then go on what we call a 100 percent detention or block listing status. At that point, they have to prove that it does not have any of the illegal material on the product before we allow it into the country.

In other words, we put the burden back on the exporting country.

Mr. DURBIN. I take it from what I have heard, what Dr. Young has said, and what you have said, that we have a problem here.

In fact, if a certain chemical has been banned in the United States and it is being applied to a food product overseas, there really is little comfort to the American consumer to know that if that product was grown in the United States it is all right. Since they do not stamp tomatoes by item—you never know that the tomato that is being cut up for the salad, has DDT on it or something similar.

Dr. **Miller**. We have a problem here too on occasion when inappropriate pesticides are used in the United States on products and we can only pick that up by market surveillance.

I think, to a large extent, we have pretty good control of this. What is happening is that the importation of foreign foods is increasing, particularly in commodities. And so, as that gets bigger, our problem gets bigger. In order to control it, the programs Dr. Young talked about were the best way, with limited resources, to try to deal with it. That is, put the burden on the exporting country, rather than on ourselves.

Mr. **Durbin**. I am sorry my time is limited because this is a topic that I would like to explore a little more.

Dr. **Young**. If you would like I would make a personal and special briefing for you because it is an area of great concern.

Mr. **Durbin**. Thank you. I would appreciate that very much.

Dr. **Young**. We have identified it in our action plan, and we hope to resolve this problem in the future.

PERSONNEL REDUCTIONS

Mr. **Durbin**. I have one last area that I would like to touch on. My figures indicate that since 1979, FDA has had a reduction in full-time equivalent personnel such as scientists, physicians and technical people, from about 8,200 to about 6,700.

Has this nearly 20 percent reduction in personnel impaired your agency's ability to carry out its statutory obligations?

Dr. **Young**. We have tried sir, to deal with reorganization, where appropriate, to aid in this, particularly in the development of improved productivity. Dr. Miller has worked very hard in the Center for Food Safety and Applied Nutrition to make a transition from the older technology into new technology and the opening of Module 1 will be extraordinarily helpful.

This year you see us raising, because of the need for additional resources in product approval, for the first time, the concept of a user fee where a large portion, but not all of those funds, would go as a part of the funding for that particular area, so that we can have the necessary resources to meet it, and yet, stay within what is a very great constraint for all of us, meeting the President's budget and the Congress' budget at a time we have such great deficits.

So, we are working very hard to reorganize where we can and we have done a number of management modifications and moving personnel to try to meet these responsibilities but it has been tough.

But I can say that we have not let any public health responsibility drop during this time. In fact, you have seen an agency go all out in the last six weeks, really meeting major crises, and working around the clock to do it.

Mr. **Durbin**. What is your response to the observation that the personnel cuts have been disproportionately applied to persons who are responsible for ensuring the safety and the integrity of the food supply in favor of more personnel working on issues of interest to the pharmaceutical industry?

Dr. YOUNG. I think that the facts speak for themselves. We have had to make major reductions disproportionately in foods and in some of our inspection areas. It has been very difficult. It is because there has been a priority of bringing new products to the market, it was an important issue. It was identified by the agency as its highest goal. I meet with the Coordinating Council, which is our center directors as well as our other senior agency managers on the policy board, and we have identified the drug approval process as the highest priority. But there is only so far that we can go, and if we do not get the funds requested this year for that, we will decrease that area and will not further compromise any of the funds going to the foods or other areas.

Mr. DURBIN. I will not quarrel with your conclusion about the value of the drug approval and that it should be a high priority. But coming from a state that has been hit with a milk crisis already, I am concerned that the FDA may not have adequate resources and expertise to deal with problems relative to the safety and integrity of the food supply. We may be asked to make some very difficult decisions when it comes to where we are going to spend our money.

HIRING OF NEW SCIENTISTS

Let me ask you one other final question. I understand that it has been several years since any significant number of young scientists were hired in the food area. Is this true?

Dr. YOUNG. Yes. It has been one of our problems throughout the agency. As we have been reducing, and you cited the numbers correctly, we have not been able to bring in as many young people—and I must say as a person who had the responsibility for a medical school before—that our young assistant professors were the life blood of the institution.

Mr. DURBIN. If my figures are correct, you have not hired a new young scientist since 1978.

Dr. YOUNG. No, I do not think that it has been quite that bad, but Sandy, you would be able to cite that better than I would on the figures.

Dr. MILLER. No, it is not true that we have not hired any young scientists since 1978. We do not hire very many of them and, on the whole, those that we have taken in, we have taken in under our fellows program which means that they come in for two to three year periods and then we cycle them through.

But it is a matter of concern. The Commissioner has already expressed his concern in that regard. I think we have been fortunate thus far, that the agency consists of some very dedicated and competent public employees that have been able to shoulder the burden with long hours. Nevertheless, if trends like this continue, then at some point you just cannot go any further.

Mr. DURBIN. Well, how many new scientists do you need in the Center for Food Safety and Applied Nutrition to do your job?

Dr. MILLER. That is hard to say. I would not really want to give an off the cuff remark, because there are many ways to make that judgment. As the director of the center, I would like to see another 500 or 1,000 scientists to do the work that we need to do, when you lay it all out.

If you say how many do we need to do what we have laid out for ourselves now given the financial situation, then we have the people to do, what we have to do now.

But we are not going to be able to do other things. We are not going to do very much, if any, economic work, for example. We are going to stick primarily to immediate public health issues where people's lives are at stake.

I think that is a difficult decision to make. All along the line you have to make those decisions.

Mr. **Durbin**. Could you give me some background information on the new scientists that have been hired since 1978?

Dr. **Young**. Yes, and we would be happy to do that across the entire agency because this is an important issue.

Mr. **Skeen**. Would the gentleman yield?

Mr. **Durbin**. I would be happy to yield.

BUDGET REQUEST TO OMB

Mr. **Skeen**. The only reason that I do this and I ask the forbearance of the Chairman is that that is a very important area of questioning with and in the Fiscal Year 1986 continuing resolution, we, I think, authorized $6.67 million for salaries and expenses and was this a request made to OMB at that time?

Dr. **Young**. The agency made its request to the Public Health Service, and the Public Health Service and the Secretary, I believe, made that request to OMB and Mr. Forbush could follow that up.

Mr. **Forbush**. The Secretary did request that but it was to be conditional upon a budget request.

Mr. **Skeen**. Whatever happened on that? What is the status of it? Do you know with the problems that you have had in FDA, I would think that it is even more critical than ever before and I think it follows the line of questioning from the gentleman from Illinois, that as far as salaries, or personnel and expenses are concerned?

Mr. **Forbush**. The $6.7 million was made available conditional upon a request from the President and OMB recommended that the President not make that request, but to regard it as a supplemental appropriation.

Mr. **Skeen**. So that is why it was never obligated then?

Mr. **Forbush**. No. It will not be because it is not available to us.

Mr. **Skeen**. Not available to you, that is very interesting. I thank the gentleman.

Mr. **Durbin**. Just to reclaim my time, I don't think that we are saving any money here.

Mr. **Skeen**. I agree.

Mr. **Durbin**. I think that ultimately when you look at what has happened in food safety issues, in my state, for example, with the milk crisis, we are not going to save any money by cutting back on personnel and not having people available to do this job right.

Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Smith?

SODIUM LABELING

Mr. SMITH. Thank you and let me talk about something that would not cost any money. You delayed the sodium labeling rule until July 1.

Dr. YOUNG. Yes.

Mr. SMITH. Can you assure us that it will not be delayed again?

Dr. YOUNG. Yes, we can.

Mr. SMITH. Now, what about the voluntary effort made by the industry? According to a report that I saw over the weekend, it has been an abysmal failure that 26 percent of the companies tested, increased the amount of sodium instead of reducing it, is that correct?

Dr. YOUNG. That is not quite correct, sir. I am going to make some general comments and then I would like to ask Dr. Miller to respond in detail, as he was very heavily involved in the sodium issue.

First of all, we now have for the American people a choice in a wide variety of products that are of low-salt. And that is a big advance for us as a nation to have consumers able to look at the salt content on foods and to select those products that they want.

Mr. SMITH. Well, do they have a choice when food processors are not required to put on the label——

Dr. YOUNG. Yes, there is virtually no product on the market today where one cannot find a single product that does not have reduced salt.

Mr. SMITH. Well, how do they know? Just take, for example, I just learned about something a week or two ago—some one was on a low-sodium diet and they did not have any idea and no way to tell by looking at the cereal labels, that most of them are very high in sodium content.

Dr. YOUNG. Dr. Miller, will you be able to respond please, because you have led this program over the years?

Dr. MILLER. Well, I think the point that the Commissioner was trying to get at was that in each of the product categories, including cereals, there are one or more products being sold on the market that include sodium labeling.

And an individual who does want to find out about sodium in the product——

Mr. SMITH. Well, what they want to know is if they have got more than 35 milligrams per serving, not if they have got less and——

Dr. MILLER. Well, the amount, per serving, will be on the label.

Mr. SMITH. Not the amount, no. In content labeling all you know is whether or not salt is number 1, 2, 3, or 4.

Dr. MILLER. No, no, no. The nutritional labeling on these products, and most of the cereals on the market today bear nutritional labeling, either already have or will after the first of July, include the amount of sodium.

Mr. SMITH. Well, as of today, I can tell you that many products do not include sodium as part of their nutritional labeling because I have been to the store and I have looked.

Dr. MILLER. Well, that is right. There are two problems here. What we have been attempting to do is not provide a description or a qualitative level of sodium, but rather how much was actually present in the product per serving.

Mr. SMITH. In milligrams?

Dr. MILLER. In milligrams. As of July first, every product that is nutritionally labeled and that is virtually all of the cereals on the market, will have to provide that information.

Mr. SMITH. Per serving?

Dr. MILLER. Per serving, yes, sir.

Dr. YOUNG. We think that this will go a long way toward meeting——

Mr. SMITH. Well, certainly, the consumer needs to know the quantity per serving.

Dr. YOUNG. I want you to know, sir, that I have a son who wrestles and he has shown me how you can read these food labels this year, because he has been watching his caloric intake so that I have spent more time reading food labels than I have in my entire life and this concept of having things available on the label is important because there are——

Mr. SMITH. Everybody depends on processed foods these days and you have just got to recognize that and they ought to be able to know when they go to the store—there is no prohibition on selling something more in it than you want to, but they ought to be able to know when they look at the label whether or not it is excessive in sodium. That is the whole point. Do you think that after July first, then, there will be plenty of opportunities for somebody that is just a layman like I am to look at a label and know whether or not there is more than 35 milligrams per serving in that food?

Dr. MILLER. I think that for many products that will be true. For virtually all of the product categories that will be true.

I do not think that every product in every category will carry it, but I think that there will be enough choice. And as we said at the outset of this campaign, if the American consumer really wants this and we have been trying very hard to get them to want it, they will buy those products that have the information and will not buy the other products.

Mr. SMITH. The other thing I am interested in, of course, I have had a bill in on this for several years, the other thing that I am interested in is that some big companies went ahead and put on their labels. And really they have got unfair competition now, because when their competitor does not put it on their label, then it is—you know, salt tastes good, it makes certain foods taste good. It is unfair to the ones that do it, if others are not required to.

Mr. NORRIS. That could turn into a plus over time, though, with the companies that have taken the lead here, if the consumer wants that information, and the company does not have it on, then it will be a competitive disadvantage.

Mr. SMITH. But it has not. They have been doing that for three and four years and it has not resulted in them having anything but an uncompetitive disadvantage.

Mr. NORRIS. I think that once the labeling is there and in July, you are going to see that hopefully the market will turn on that.

Dr. YOUNG. Mr. Smith, I would be happy, if you would like, to send you a summary of what the salt program has been and how the Center views it. Dr. Miller and I, with his staff, just reviewed this about three weeks ago, because I was asking many of the questions that you did reading the same articles. Dr. Miller had a briefing for me, and I can send those briefing materials to you because I was equally concerned as a physician that we had to have the choice available to individuals. I would be delighted to provide that.

Mr. SMITH. Okay, thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Watkins has some questions here which you can provide the answers for the record.

Dr. YOUNG. Surely.

[The following questions were submitted for the record by Mr. Wes Watkins:]

Food Irradiation

Mr. Watkins. At last word, OMB has not approved the regulations for low dosage use of radiation for the treatment of fruits and vegetables in the irradiation process to kill insects and inhibit the growth of microorganisms. Is this the current status, and, if so, what is FDA doing to encourage OMB's approval considering FDA has passed inspection that this technology doesn't endanger public health?

Response. The final regulation on the use of radiation for the treatment of fruits and vegetables will be published in mid-April. The low dose use of radiation approved by FDA is not to inhibit the growth of microorganisms but to inhibit maturation such as sprouting or ripening of fruits and vegetables and to control insect infestation of feed. This use of radiation would have essentially no effect on other forms of spoilage and is not intended to control microorganisms.

Mr. Watkins. Does FDA plan to publish rules regarding the use of irradiation on other commodities, crops etc. in the near future?

Response. At this time we have no plans to issue other proposals on our initiative. However, under the Federal Food, Drug, and Cosmetic Act, persons may petition FDA to issue a regulation by providing adequate data demonstrating that irradiation under a new set of conditions will be safe. FDA will respond to such petitions and will issue new regulations if the data are adequate to support safety.

Mr. Watkins. To date, what items have received FDA approval regarding the use of irradiation?

Response. The following foods are currently allowed to be irradiated for sale in this country:

White potatoes, to inhibit sprouting.

Wheat and wheat flour, to control insect infestation.

Pork carcasses or fresh, to control *trichinella.*

Non-heat processed cuts of pork carcasses, *spiralis.*

Dry enzyme preparations, to control insects and microorganisms.

Several (48) dried herbs, spices and vegetable seasonings, to control insects and microorganisms.

Mr. Watkins. Last year we talked about the consumers' perception of the irradiation technology. Has FDA made any attempt to arrest the fears of consumers regarding this treatment? If so, what has been done? If not then why not?

Response. FDA has spent a considerable effort to present clear and accurate information concerning food irradiation to the public. The Agency held seven Consumer Exchange Meetings around the country during 1984-85, at which food irradiation was a major topic. Our Center for Food Safety and Applied Nutrition conducted five Food Editor Conferences in 1985, attended by 235 journalists and other information-dissemination specialists representing an outreach of 172.5 million households. In addition, our staff has had numerous conversations with reporters researching stories or checking facts, and we have sent personal response to letters from large numbers of concerned consumers.

Mr. Watkins. This year, for the first time organized efforts are being made to attack this technology without a clear presentation of the facts being made to the general public. Is it FDA's responsibility to carry out such a public relations program to inform the general public about this technology? If not, who specifically could carry out such a program within the government realm?

Response. It is not FDA's responsibility to conduct a public relations program in support of any particular technology. We do attempt to communicate our decisions to the public so that they can better understand the issues of food safety. However, as the regulatory Agency responsible for assuring a safe food supply, we cannot take any advocacy position that would compromise, or appear to compromise, our ability to regulate. We also cannot take a position that would give advantage to any one segment of the industry over any other segment that is operating lawfully.

We cannot speak to the responsibilities that any other agencies may have regarding promotional efforts. In general, we believe the industry intending to develop the technology is the most appropriate source of effort of a public relations campaign.

Mr. Watkins. What is the status of the evaluation by FDA on irradiation concerning poultry, fish and other meat?

Response. In 1979, FDA received a petition for medium-dose irradiation pasteurization of poultry. This petition was deficient in several respects, and FDA could not take action on it at that time. FDA has discussed with the petitioner studies that could resolve some of the outstanding issues. FDS has also tried to obtain further details concerning animal feeding studies submitted in support of the petition. We have received some of this information, and we have been evaluating it. The Department of Agriculture's Food Safety and Inspection Service is also evaluating this use of irradiation.

In December 1985, we received a petition for the irradiation of seafood products. It is under review.

In July 1985, we issued a regulation authorizing low dose irradiation of pork to control the parasite *trichinella spiralis.* We have received other petitions specific to irradiation of red meat.

Mr. Watkins. What is the status of the evaluation by FDA on irradiation concerning fruits and vegetables?

Response. The final rule will be published in mid-April.

Mr. Watkins. Is the level of the source approved adequate to do the job yet still be safe to the consumer?

Response. First, it is important to make clear what is meant by the level of the source. Usually, this term refers to the energy level (or type of radiation) being emitted by the source. The energy level must be sufficiently high to penetrate through material but not so high as to make the irradiated material radioactive. This energy level is different from the dose delivered during the irradiation process, which depends on the amount of source (for a radioactive source), the distance from the source to the irradiation target, and the amount of time spent in irradiation.

The energy sources we have permitted will not make food radioactive but will allow appropriate design of equipment to ensure that interior portions of material irradiated receive an adequate dose. What constitutes an adequate dose will depend on what is intended to be accomplished. The doses that we have permitted are adequate to accomplish their intended effect, but they will not replace procedures such as heat preservation or refrigeration to prevent spoiling.

Mr. Watkins. Are there other revaluations concerning irradiation that are pending before FDA?

Response. We are presently considering petitions of medium-dose pasteurized poultry, medium dose pasteurized seafood, and high-dose sterilized food products of any type.

Mr. Watkins. Has a symbol and a term been specifically developed for irradiation technology?

Response. The International Facility for Food Irradiation Technology, Wageningen, Netherlands, developed a symbol in the early 1970's for test marketing irradiated foods. This symbol is commonly called "The International Symbol," and it has frequently been discussed as an identifier for irradiated foods. We do not know of any country that has required use of this symbol, although both FDA and Consumer Affairs/Canada are seriously considering requiring use of this symbol. Several terms have been discussed to describe the irradiation process, but none have develolped consensus support.

Mr. Watkins. Is this symbol and other labeling required by FDA on all products sold that have been treated with irradiation?

Response. Current regulations require the statement "Treated with ionizing (or gamma, or electron) radiation" on all retail packages of foods that have been irradiated. No symbol is required. We are giving serious consideration to modifying this statement and requiring a symbol.

Mr. Watkins. Will FDA ever accept only the symbol as significant identification of the technology as opposed to labeling?

Response. FDA will consider use of a symbol alone to inform consumers if such a symbol becomes widely recognized. If the message represented by the symbol is publicized, promoted, and used in a clear and consistent manner, we believe that such recognition is likely.

INSPECTION OF RESTAURANTS

Mr. Watkins. It is my understanding that the FDA has in place, or plans, to evaluate and inspect multi-unit restaurant operations. And, the General Accounting Office has recommended that the Secretary of Health and Human Services direct the FDA Commissioner to review the Agency's current inventory of such establishments to determine which, if any, should be removed from the inventory. GAO has, I think, a valid question in wondering why FDA should be inspecting such establishments when they are also routinely inspected by various state agencies.

Response. FDA does not maintain an inventory of food service establishments for the purpose of inspecting them as part of chain evaluations. FDA initially performed some food service inspections in cooperation with State agencies during the development and demonstration of the chain evaluation procedures, but chain evaluation inspections are now the responsibility of state officials.

Mr. Watkins. Can you furnish, for the record, an update on this situation and also the rationale for FDA's involvement?

Response. FDA is involved with restaurant chain evaluations as part of our cooperative Federal-State Retail Food Protection Program. Through this program, FDA carries out its responsibility under the Public Health Service Act to assist State and local governments to perform the primary role that they have in regulating the retail segment of the food industry.

FDA directs its activities toward the establishment of an effective system of State food protection programs. FDA provides technical guidelines and participates with the States in the development and implementation of nationwide health standards and effective administrative procedures.

FDA coordinated the development of the Procedure for Evaluating Multi-Unit Food Operations to provide States with a mechanism for working together to achieve public health objectives. Under this procedure, establishment inspections are conducted by specially trained state officials. The procedure provides for a support role for FDA. For example, FDA can act as a liaison between states, or if asked by a state, it can assist in analyzing inspectional data or in reviewing an evaluation report.

States are continuing to use the chain evaluation procedure. Recently FDA proposed modifications that are designed to improve the procedure. The Agency received comments on these proposed modifications from State regulatory agencies and industry groups. FDA is evaluating these comments.

Mr. Watkins. And, if appropriate, the number of man hours expended by FDA personnel during FY 1985 and FY 1986 devoted to such inspections.

Response. While it is not intended that FDA perform routine inspections under this program, the Agency might conduct an occasional inspection in response to a specific request by a State. Field resources for this type of assistance were ½ of a staff year in FY 1985, and roughly the same is planned for FY 1986.

ANTIBIOTICS IN ANIMAL FEED

Mr. Watkins. Is there a report currently pending regarding the use of antibiotics in animal feeds and if so, what it the status of this report?

Response. There is currently a review pending of data generated by recently conducted research of the pertinent literature and of recently acquired data. From this review an options paper will be developed which will discuss the current state of the science involved in the antibiotics in animal feeds controversy and which will propose several sources of action that the Agency could implement with respect to the issue. A late spring to early summer completion is projected at this time.

Mr. WHITTEN. We appreciate your being here today. We know about your problem and will be glad to cooperate as best as we can.

In the overall, I think that you do a real good job. I do not know that you do as well in all areas, as we pointed out in times past. But it is not your fault. We have to respond to public opinion, whatever it may be.

But I think in the overall you do a fine job.

We will stand in recess.

[The biographies, statement of Dr. Young, and justifications follow:]

September 11, 1981

CURRICULUM VITAE

NAME: Wilford J. Forbush

DATE OF BIRTH: June 5, 1935 - St. Louis, Missouri

EDUCATION: BS, St. Louis University, 1957; Major: English
University of Chicago 1959-63; Graduate Study in Philosophy

HONORS: Graduated Magna Cum Laude from St. Louis University

Superior Service Award, HEW - October 1970
Secretary's Special Citation - January 1973
Distinguished Service Award - April 1974
Secretary's Special Citation - January 1977
Secretary's Special Achievement Award - April 1979
SES Meritorious Executive, Presidential Rank - October 1980

WORK EXPERIENCE:

September 1981 to Present - Deputy Assistant Secretary for Health Operations, and Director, Office of Management Public Health Service

May 1979 to September 1981 - Deputy Assistant Secretary, Policy Coordination, Office of the Assistant Secretary for Management and Budget, HEW until 1980; thereafter Department of Health and Human Services

June 1974 to May 1979 - Deputy Assistant Secretary, Budget Office of the Assistant Secretary, Comptroller HEW changed to Assistant Secretary for Management and Budget in 1977

November 1971 to June 1974 - Director, Division of Budget - Office of the Assistant Secretary, Comptroller, HEW

March 1971 to November 1971 - Acting Director Division of Budget Office of the Assistant Secretary, Comptroller, HEW

October 1967 to March 1971 - Chief, Methods and Presentations Branch, Division of Budget, Office of the Assistant Secretary, Comptroller, HEW

September 1963 to October 1967 - Budget Analyst, Division of Budget, Office of the Assistant Secretary, Comptroller HEW

BACKGROUND INFORMATION ON DR. FRANK E. YOUNG

Frank E. Young, M.D., Ph.D., Commissioner of the Food and Drug Administration, was born in Mineola, New York in 1931 and was educated in Union College, the Medical Center of the State University of New York (M.D., Cum Laude) and Case Western Reserve University (Ph.D.). After internship and residency in Pathology in University Hospitals in Cleveland, Ohio, Dr. Young served on the Faculty of Case Western Reserve University (1962-1965), Scripps Clinic and Research Foundation (1965-1970) and University of California at San Diego (1967-1970). In 1970 he became Chairman of the Department of Microbiology and Professor of Microbiology, of Pathology and of Radiation Biology and Biophysics at the University of Rochester, Rochester, New York. Concurrently he directed the Clinical Microbiology Laboratories for Strong Memorial Hospital and the County of Monroe. Subsequently he was appointed Dean of the School of Medicine and Dentistry and Director of the Medical Center of the University of Rochester (1979-1984) and Vice President for Health Affairs (1981-1984). Additionally he served as Chairman of the Executive Hospital Committee of Strong Memorial Hospital (1979-1984), Chairman of the Medical Advisory Committee, Monroe Community Hospital (1979-1984) and Pathologist, Strong Memorial Hospital (1974-1984).

While Commissioner of FDA Dr. Young participated as a Member of the U.S. Delegation to the World Health Assembly in Geneva, Switzerland, 1985; lead the U.S. Delegation to the Third U.S./Israeli Symposium on Health, Jerusalem, 1985; participated in the Conference of Experts on the Rational Use of Drugs, Nairobi, Kenya, 1985, and Headed the State Department Delegation to the Ad Hoc Biotechnology Working Group of the Organization of Economic Cooperation Development, Paris, France, 1985, which resulted in the negotiation of an international agreement in Biotechnology. Dr. Young's area of research is biotechnology including the fundamental genetics of pathogenic and non-pathogenic bacteria. These studies were supported by grants from the National Institutes of Health, National Science Foundation, American Cancer Society, and industry. He has received numerous awards including membership in the Institute of Medicine of the National Academy of Sciences, the Edward Mott Moore Award for the outstanding physician from the Monroe County Medical Society, honorary degrees from Roberts Wesleyan College (Doctor of Science, 1983) and Houghton College (Doctor of Science, 1984) and was a member of ten scientific societies. He has served on NIH advisory committees, including the Recombinant DNA Advisory Committee (1979-1980), the Microbiology Training Study Section (1972-1973), the Bacteriology and Mycology Study Section (1975-1979), and was chairman of the Microbial Genetics Study Section (1981-1982). He also was a member of the Scientific Advisory Committee for Virology and Cell Biology Study Section of the American Cancer Society (1974-1979).

He and his wife Leanne have five children.

JOHN A. NORRIS, J.D., M.B.A.

As chief operating officer of the Food and Drug Administration, Deputy Commissioner John A. Norris shares responsibility with the Commissioner for managing FDA programs to assure industry compliance with the legal safety and effectiveness standards affecting foods, drugs, many veterinary products, cosmetics, and medical and radiological devices.

Born in Buffalo, New York, December 27, 1946, Norris was graduated by the Williamsville (N.Y.) High School. He received a B.A. in economics and political science at the University of Rochester. Norris has a Master's in Business Administration from Cornell Business School in Ithaca, N.Y., and a degree from Cornell Law School (joint degree) where he was editor-in-chief of the International Law Review.

Norris is an attorney and previously worked as a regulatory consultant, specializing in health affairs, with the law and management consulting firm Norris & Norris in Boston. He served as a member of Secretary Heckler's Commission on the Evaluation of Pain in early 1985. Founder and faculty editor-in-chief emeritus of the American Journal of Law & Medicine, Norris was the 1981 recipient of the honorary life membership award of the American Society of Law & Medicine. He has been chairman of its board of directors since 1981.

He also served as chairman or vice chairman of several Massachusetts governors' committees and has been a part-time faculty member at Boston University School of Law and Boston College Law School. He is chairman of the Joseph D. Norris, Esq., Health Law and Public Policy Fund, which he formed to give fellowships in honor of his late father.

He and his wife, the former Kathleen E. Mullen, have five children and reside in McLean, Virginia.

THOMAS SCARLETT

POSITION: Chief Counsel, Food and Drug Administration

BIRTH PLACE & DATE: Charlottesville, Virginia
July 20, 1943

EDUCATION: Columbia University, B.A., summa cum laude, Phi Beta Kappa, 1966 Yale Law School, J.D., Order of the Coif, Yale Law Journal, 1969

EXPERIENCE: 1981-Present, Chief Counsel, Food and Drug Administration; 1979-1981, of counsel, Morgan, Lewis & Bockius. Counseling and litigation in food and drug and environmental matters; 1978-1979, Deputy Chief Counsel for Regulations and Hearings, Food and Drug Division of HEW's Office of the General Counsel; 1973-1978, Lawyer, Food and Drug Division of HEW's Office of General Counsel; 1971-1973, Lawyer with the former Social and Rehabilitation Services Division of HEW's Office of the General Counsel; 1969-1971, Associate with White & Case, New York City; 1968, law clerk, Bergman & Barth, New Haven, Conn.

MEMBERSHIPS: New York Bar, District of Columbia Bar, United States Supreme Court Bar, and the American Bar Association

FRANK P. CLAUNTS

POSITION: Director, Division of Financial Management, Office of the Associate Commissioner for Management and Operations

BIRTHPLACE AND DATE: Bartlesville, Oklahoma, September 5, 1942

EDUCATION: Bachelor of Arts, Texas Tech, June 1964
Master of Business Administration, American University, May 1975

HONORS AND AWARDS: Food and Drug Administration Commendable Service Award, 1980; Quality Increases in 1975, 1973, and 1971; "Distinction" on MBA Comprehensive Exams in 1975; Special College Leadership Award at Texas Tech in 1964.

EXPERIENCE: July 1980 to Present, Director, Division of Financial Management, Food and Drug Administration; September 1977–June 1980, Director, Division of Management Services, Food and Drug Administration; July-September, 1977, Special Assistant to the Associate Commissioner for Management and Operations, Food and Drug Administration; August 1976–June 1977, Legislative Analyst, Office of Management and Budget; July 1972–August 1976, Management Analyst, Food and Drug Administration; June 1971-May 1972, State Director of the Peace Corps in Bihar, India; July 1969–June 1971 India Desk Officer, Peace Corps, Washington, D.C.; September 1966–July 1969, Peace Corps Field Officer in north-eastern India; June 1964–June 1966, Peace Corps Volunteer, Tripura, India

GERALD F. MEYER

POSITION: Associate Commissioner for Management and Operations, Food and Drug Administration

BIRTHPLACE AND DATE: Maquoketa, Iowa
September 16, 1936

EDUCATION: June, 1958, B.S., cum laude, Commerce, University of Notre Dame, South Bend, Indiana

HONORS AND AWARDS: Senior Executive Service Performance Award - 1980
Food and Drug Administration - Award of Merit, May 31, 1973; DHEW Superior Performance Award - May 28, 1968

EXPERIENCE: April 1979 to Present, Associate Commissioner for Management and Operations, Food and Drug Administration; 1978 to 1979, President, Microbiological Associates, a Division of the Wittaker Corporation, Bethesda, Maryland; 1973 to 1978 - Associate Commissioner for Management and Operations, FDA; 1972 to 1973 - Director, Office of Legislative Services, Food and Drug Administration; 1971 to 1972 - Chief, Health Branch, Division of Budget, Office of the Secretary, Department of Health, Education and Welfare; 1969 to 1971 - Clerk to the Minority, Appropriations Committee, U.S. House of Representatives; 1964 to 1969 - Administrative Officer, Etiology Research Program directed at the Cause and Prevention of Cancer, National Cancer Institute; 1962 to 1964 - Administrative Officer, National Institutes of Health, Research Program in West Africa undertaken to assist the Government of Ghana develop its first medical school; 1960 to 1961 - Budget Analyst National Cancer Institute; 1958 to 1960 - Management Intern, National Institutes of Health.

SANFORD A. MILLER, Ph.D

POSITION: Director, Bureau of Foods

BIRTH PLACE & DATE: Brooklyn, New York
May 12, 1931

EDUCATION: Received B.S. degree in Chemistry and Biology from City College of New York, and M.S. and Ph.D degrees in Physiology and Biochemistry from Rutgers University.

EXPERIENCE: Served as Chemist, Applied Research Branch, Army Chemical Center during 1951; and Teaching Assistant, Rutgers University, 1955-1957. From 1957 to 1978, served in various capacities with the Department of Nutrition and Food Sciences, Massachusetts Institute of Technology, including Research Associate, and Assistant, Associate, and Full Professor. Served as visiting lecturer in nutrition at Harvard University, Boston University, and Tufts University from 1963 until his appointment to the current position in August 1978.

MEMBERSHIPS: Served on various advisory groups and held office in several associations including American Institute of Nutrition, the Institute of Food Technologists, FASEB, and the Western Hemisphere Nutrition Congress. Also affiliated with, or member of, the American Chemical Society, American Association for the Advancement of Science, Sigma Xi, New York Academy of Sciences, American Institute of Dental Research, and Society of Pediatric Research.

HONORS AND AWARDS: Outstanding Teacher of the Year Award by students of the Department of Nutrition and Food Science at MIT; the Conrad A. Elvehjem Award of the American Institute of Nutrition; the Public Health Service Superior Service Award; the Braverman Memorial Lecturer at the Technion-Israel Institute of Technology in Haifa, Israel; the Samuel W. Johnson Memorial Lecturer, Connecticut Agricultural Experiment Station; the Department of Health and Human Services Distinguished Service Award.

PUBLICATIONS: Authored or co-authored more than 200 original scientific articles, reviews, and book chapters.

STATEMENT
BY
FRANK E. YOUNG, M.D., PH.D.
COMMISSIONER
FOOD AND DRUG ADMINISTRATION
PUBLIC HEALTH SERVICE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
BEFORE THE
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 8, 1986

MR. CHAIRMAN, I AM PLEASED TO HAVE THE OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE TODAY TO SUPPORT THE FOOD AND DRUG ADMINISTRATION'S BUDGET REQUEST FOR 1987. I WOULD FIRST LIKE TO INTRODUCE MY COLLEAGUES AT THE TABLE WITH ME.... A FEW OTHER MEMBERS OF MY STAFF ARE ALSO PRESENT TO RESPOND, IF NECESSARY, TO SPECIFIC QUESTIONS AND INTERESTS OF THE COMMITTEE.

THE PRIMARY ROLE OF THE FOOD AND DRUG ADMINISTRATION IS THE PROTECTION OF THE PUBLIC HEALTH. WE ARE RESPONSIBLE FOR ASSURING THE SAFETY, AND IN SOME CASES EFFECTIVENESS, OF PRODUCTS THAT REPRESENT ABOUT A QUARTER OF EVERY DOLLAR THE AMERICAN CONSUMER SPENDS. OUR CITIZENS HAVE A RIGHT TO EXPECT THAT THESE PRODUCTS ARE SAFE WHEN USED AS INTENDED, AND IN THE CASE OF THERAPEUTIC PRODUCTS, THAT THEY ALSO ARE EFFECTIVE.

BEFORE DISCUSSING RESOURCES, I WOULD LIKE TO TALK BRIEFLY ABOUT SOME OF THE WAYS IN WHICH WE FULFILL OUR RESPONSIBILITIES, AND RELATE THAT DISCUSSION TO RECENT EVENTS AND ACCOMPLISHMENTS. IN THIS DISCUSSION I WILL ALSO MENTION OUR ACTION PLAN, WHICH WE ARE AGGRESSIVELY IMPLEMENTING BOTH TO IMPROVE CURRENT PROGRAMS AND OPERATIONS AND TO PAVE THE WAY FOR FUTURE ACTIVITIES. I AM PLEASED THAT, AS OF TODAY, WE HAVE BEGUN WORK ON 80% OF OUR 253 PLANNED MILESTONES, AND HAVE COMPLETED HALF OF THEM. IT IS OUR COMMITMENT TO

COMPLETE TWO-THIRDS OF THE MILESTONES BY THE END OF JULY OF THIS YEAR.

WITH YOUR PERMISSION, I WILL DISCUSS OUR ACTIVITIES UNDER THE FOLLOWING HEADINGS:

- PREMARKET REVIEW AND APPROVAL
- RISK ASSESSMENT AND MANAGEMENT
- REGULATIONS
- RESOURCES

PREMARKET REVIEW AND APPROVAL

ONE WAY WE ASSURE THE SAFETY AND EFFECTIVENESS OF THE PRODUCTS WE REGULATE IS TO ASSURE THAT THEY ARE NOT MARKETED IN THIS COUNTRY UNTIL SATISFACTORY EVIDENCE OF THEIR SAFETY HAS BEEN PRESENTED. FOR DRUGS, BIOLOGICS, AND MEDICAL DEVICES, EVIDENCE OF THEIR EFFECTIVENESS MUST ALSO BE PROVEN. THIS RESPONSIBILITY WEIGHS UPON US IN TWO WAYS: NOT ONLY MUST WE KEEP PRODUCTS FROM THE MARKETPLACE THAT ARE UNSAFE OR INEFFECTIVE, BUT WE ALSO MUST ENSURE THAT PEOPLE HAVE TIMELY ACCESS TO PRODUCTS THAT IMPROVE THE DIAGNOSIS, PREVENTION, OR TREATMENT OF DISEASE. AT THE SAME TIME, WE MUST STRIVE TO EXPEDITE THE ECONOMIC SAVINGS TO INDIVIDUALS AND TO THE NATION THAT CAN RESULT FROM IMPROVED PRODUCTS.

HUMAN DRUG REVIEW

THE FIRST GOAL OF THE ACTION PLAN IS TO IMPROVE AND TO ACCELERATE THE NEW DRUG APPROVAL PROCESS WHILE IMPROVING THE QUALITY OF OUR REVIEW. REVISIONS IN THE REGULATIONS FOR NEW DRUG APPLICATIONS (NDAS), AS WELL AS OTHER MANAGEMENT INITIATIVES WE'VE UNDERTAKEN, ARE EXPECTED TO RESULT IN SIGNIFICANT REDUCTIONS IN REVIEW TIME, WHICH HAS BEEN AVERAGING ABOUT 24 MONTHS FOR ALL NDAS. WE ARE ENCOURAGED BY THE FACT THAT 30 NEW CHEMICAL-ENTITY DRUGS WERE APPROVED IN 1985, A RECORD. FURTHERMORE, OF THESE 30 NEW CHEMICAL ENTITIES JUST APPROVED, 18 REPRESENT THERAPEUTIC ADVANCES OVER EXISTING DRUGS, ANOTHER RECORD. THESE THERAPEUTIC ADVANCES WILL BRING RELIEF TO MILLIONS OF AMERICANS. HOWEVER, FURTHER EFFORTS ARE ESSENTIAL IF WE ARE TO CONTINUE TO REDUCE THE REVIEW TIME FOR ALL DRUGS. THEREFORE, IN 1987, WE WILL RE-ALLOCATE RESOURCES WITHIN THE AGENCY TO THE NEW DRUG EVALUATION PROCESS, AND WE ARE ALSO REQUESTING A FUNDING INCREASE OF $14 MILLION FOR THIS PROGRAM. THESE COMBINED RESOURCES WILL BE USED TO EXPAND MEDICAL AND SCIENTIFIC REVIEW STAFFS, TO IMPROVE MANAGEMENT SYSTEMS, AND TO INCREASE THE OVERALL CAPACITY TO UTILIZE OUTSIDE SUPPORT FOR THESE PROCESSES.

IN ADDITION TO THEIR ALL-IMPORTANT PUBLIC HEALTH ADVANTAGES, THE ECONOMIC IMPLICATIONS OF OUR DRUG REVIEWS ARE SUBSTANTIAL. SALES OF THE 200 MOST WIDELY PRESCRIBED DRUGS

AVERAGE $1 MILLION A WEEK. WE ESTIMATE THAT THE DRUG INDUSTRY AS A WHOLE AVERAGES $25 BILLION IN ANNUAL SALES, EMPLOYING 145,000 PEOPLE. IF FDA CAN MAINTAIN THE CRITICAL QUALITY OF ITS REVIEWS WHILE REDUCING THE TIME IT TAKES TO BRING NEW PRODUCTS TO THE MARKET, WE WILL FOSTER INNOVATION AND THE ECONOMIC BENEFITS WILL BE GREAT. AN EFFICIENT FDA PROVIDES A CLEAR "VALUE ADDED" TO THE AMERICAN ECONOMY AS WELL AS TO OUR FIRST RESPONSIBILITY, PUBLIC HEALTH. FOR EXAMPLE, THE NUMBER OF INVESTIGATIONAL APPLICATIONS (INDS) HAS NEARLY DOUBLED SINCE 1980, REPRESENTING INCREASED INVESTMENT IN NEW PRODUCTS THAT WILL RESULT IN FULL MARKETING APPLICATIONS (NDAS) FOR MANY NEW THERAPIES. GIVEN THE NDA/IND REWRITES AND OTHER ACTION PLAN OBJECTIVES, AND THE RESOURCES REQUESTED FOR US IN THE PRESIDENT'S 1987 BUDGET, I BELIEVE WE CAN AVOID POTENTIAL EROSION OF REVIEW TIMES FROM INCREASING WORKLOADS, AND CAN CUT THE AVERAGE NDA APPROVAL TIME DOWN FROM THE CURRENT 24 MONTHS TO 18 MONTHS.

ORPHAN PRODUCTS

ORPHAN PRODUCTS REPRESENT ANOTHER ASPECT OF DRUG DEVELOPMENT, AN AREA THAT REMAINS ONE OF THE AGENCY'S HIGHEST PRIORITIES. I AM HAPPY TO REPORT THAT OUR EFFORTS IN THIS AREA HAVE BEEN FRUITFUL, THANKS IN A LARGE PART TO THE CONCERN AND SUPPORT OF THIS SUBCOMMITTEE. FIRST OF ALL, WE APPROVED TEN NEW DRUG APPLICATIONS FOR ORPHAN PRODUCTS IN CALENDAR YEAR 1985. SECOND, WE OBTAINED COMMITMENTS BY

SPONSORS TO DEVELOP THREE NEW ORPHAN PRODUCTS. THIRD, UNDER THE PROVISIONS OF THE LAW, WE GAVE OFFICIAL "ORPHAN" DESIGNATION TO 44 PRODUCTS. THIS DESIGNATION ENTITLES THE SPONSOR TO TAX CREDITS FOR CLINICAL RESEARCH EXPENSES AS WELL AS ELIGIBILITY FOR EXCLUSIVE MARKETING APPROVAL STATUS.

IN 1985, WE AWARDED SLIGHTLY LESS THAN $2.5 MILLION IN BOTH NEW GRANTS AND CONTINUATIONS OF PRIOR PROJECTS FOR STUDIES OF ORPHAN PRODUCTS. THIS INCLUDES A ONE-TIME TRANSFER OF $1 MILLION AWARDED UNDER AN INTERAGENCY AGREEMENT WITH THE NATIONAL INSTITUTE FOR CHILD HEALTH AND HUMAN DEVELOPMENT, AND PERMITTED THE AWARD OF 21 ORPHAN PRODUCT RESEARCH GRANTS. THIS IS THE LARGEST NUMBER OF GRANTS AWARDED SINCE THE INITIATION OF THE PROGRAM IN 1983. I WOULD NOTE THAT, IN ADDITION TO DRUGS, TWO OF OUR GRANTS WERE MADE FOR STUDIES THAT PROMISE TO BRING USEFUL ORPHAN MEDICAL DEVICES TO THE MARKET. WE INTEND TO AWARD $2.8 MILLION OF FDA'S FUNDS FOR SUCH GRANTS IN 1986, AND $3 MILLION IN 1987, WHICH WILL EVEN FURTHER EXPAND THIS IMPORTANT EFFORT.

LET ME DESCRIBE ONE EXAMPLE OF ORPHAN PRODUCT DEVELOPMENT: LAST YEAR WE APPROVED A HUMAN GROWTH HORMONE PRODUCED BY MEANS OF RECOMBINANT DNA TECHNOLOGY, WHICH PROTECTED THE HORMONE FROM VIRAL CONTAMINATION ASSOCIATED WITH THE USE OF PITUITARY EXTRACTS FROM HUMAN CADAVERS, PREVIOUSLY THE ONLY MEANS OF THE HORMONE'S PRODUCTION.

POSTMARKETING SURVEILLANCE

FDA'S RESPONSIBILITIES DO NOT END WHEN A NEW PRODUCT IS MARKETED. THE AGENCY IS CHARGED WITH ASSURING THAT THE PRODUCT WILL BE SAFE IN ACTUAL USE. THEREFORE, WE MUST ALSO HAVE EFFECTIVE SYSTEMS FOR POSTMARKETING SURVEILLANCE, TO BE SURE THAT ANY PROBLEMS WITH A PRODUCT ON THE MARKET ARE DETECTED, ANALYZED, AND CORRECTED OR REMOVED AS QUICKLY AS POSSIBLE.

HUMAN DRUGS UNDERGO EXTENSIVE AND COSTLY TESTING AND REVIEW PRIOR TO APPROVAL. THUS, WHEN A DRUG IS MARKETED THERE IS CONSIDERABLE EVIDENCE THAT IT WILL BE USEFUL WHILE NOT POSING UNACCEPTABLE RISK.

HOWEVER, IT MUST BE RECOGNIZED THAT PREMARKET TESTING CANNOT PROVIDE COMPLETE ASSURANCE OR INFORMATION. CLINICAL TRIALS GENERALLY INVOLVE FEWER THAN 2000 PATIENTS AND SELDOM LAST MORE THAN 3 YEARS. THUS, THEY LACK THE ABILITY TO DETECT NOT ONLY SEVERE SIDE EFFECTS WHICH MIGHT OCCUR IN A VERY FEW PEOPLE, BUT ALSO COMMON BUT DELAYED EFFECTS, BOTH SEVERE AND NON-SEVERE, OF CHRONIC ADMINISTRATION. FDA HAS LONG HAD SYSTEMS FOR REPORTING ADVERSE EXPERIENCES WITH DRUGS AND DEVICES, BUT WE HAVE A MAJOR GOAL IN THE ACTION PLAN TO BROADEN AND TO IMPROVE THESE EFFORTS. WE HAVE ALREADY TAKEN A NUMBER OF STEPS TO PROMOTE FASTER, MORE COMPLETE REPORTING DIRECTLY FROM HEALTH PROFESSIONALS; AND WE HAVE NOW AUTOMATED

OUR INFORMATION SYSTEMS SO THAT THE INFORMATION CAN BE PROCESSED AND SCREENED PROMPTLY. FORTUNATELY, MOST OF THE SIDE EFFECTS REPORTED ARE THOSE THAT ARE ALREADY KNOWN TO OCCUR, BUT WHEN THERE ARE NEW PROBLEMS I CAN ASSURE YOU THAT FDA HAS THE MEANS IN PLACE TO IDENTIFY THEM AND TO DEVELOP APPROPRIATE ACTION AS QUICKLY AS POSSIBLE.

MEDICAL DEVICE REVIEW

THE SECOND GOAL OF THE ACTION PLAN IS TO CREATE NEEDED IMPROVEMENTS TO THE MEDICAL DEVICE PREMARKET APPROVAL PROCESS. TOWARD THIS END, WE HAVE INITIATED IMPROVEMENTS THAT ARE ALREADY PAYING DIVIDENDS, IN SPITE OF WORKLOADS THAT HAVE RISEN DRAMATICALLY OVER THE LAST SEVERAL YEARS. MEDICAL DEVICE APPLICATIONS AND SUPPLEMENTS HAVE INCREASED BY 22% SINCE 1980, AND THE INVESTIGATIONAL DEVICE EXEMPTION WORKLOAD IS UP BY 150%. WE HAVE REDIRECTED OUR RESOURCES IN THIS AREA AND HAVE BEEN ABLE TO LAUNCH NEW INITIATIVES IN SUCH AREAS AS MICRO-ELECTRONICS AND MATERIALS SCIENCE. ONE MEASURE OF THE PROGRESS WE ARE MAKING IN THE MEDICAL DEVICE AREA IS THE REVERSAL OF A TREND OF DECLINING PREMARKET APPROVAL APPLICATION (PMA) APPROVALS. DURING THE FIRST FIVE MONTHS OF FY86, FDA APPROVED 30 NEW DEVICES, COMPARED WITH 37 APPROVALS FOR ALL OF FY85.

ANIMAL DRUG REVIEW

IN ADDITION TO OUR CRITICAL RESPONSIBILITIES IN REVIEWING NEW DRUGS AND DEVICES FOR MEDICAL TREATMENT, ANOTHER ACTIVITY THAT HAS TREMENDOUS IMPACT BOTH ON CONSUMERS AND ON THE AGRICULTURAL INDUSTRY IS OUR REVIEW AND SURVEILLANCE OF ANIMAL DRUGS AND FEEDS. THESE ACTIVITIES ARE IMPORTANT TO THE PUBLIC NOT ONLY BECAUSE THEY MINIMIZE HEALTH HAZARDS THAT THE CONSUMER CANNOT ASSESS, BUT ALSO BECAUSE THEY ENCOURAGE PROPER NUTRITION BY ASSURING A SAFE AND WHOLESOME NATIONAL MEAT, MILK, AND EGG SUPPLY. FDA'S EFFORTS ARE ALSO IMPORTANT BECAUSE OF THIS NATION'S ROLE AS A WORLD LEADER IN THE USE OF ANIMAL DRUGS IN THE PRODUCTION OF LIVESTOCK, POULTRY, AND OTHER FOOD ANIMALS.

AS PART OF OUR CONTINUING EFFORTS TO ASSURE THE SAFETY OF ANIMAL DRUGS, FEEDS, AND FOOD PRODUCTS, WE HAVE IMPROVED GUIDELINES AND STREAMLINED PROCEDURES FOR THE REVIEW OF DRUGS FOR MINOR SPECIES AND FOR MINOR USES IN THE MAJOR LIVESTOCK SPECIES. ALSO, WE ARE CONTINUING OUR PROGRAM OF FUNDING RESEARCH TO GENERATE DEVELOPMENT OF NEW PRODUCTS FOR THESE USES. WE BELIEVE THAT THIS PROGRAM, ALTHOUGH NOT A MAJOR PORTION OF OUR BUDGET, IS IMPORTANT BECAUSE THERE MAY BE LITTLE ECONOMIC INCENTIVE TO DEVELOP SUCH DRUGS EVEN THOUGH THE PRODUCTION OF MINOR SPECIES OF FOOD-PRODUCING LIVESTOCK, BIRDS, AND FISH REPRESENTS A VERY SUBSTANTIAL INDUSTRY AND A SIGNIFICANT CONTRIBUTION TO THE FOOD SUPPLY.

ANDA WORKLOAD

ANOTHER CHALLENGE WE'VE MET WITH SOME SUCCESS RECENTLY IS THE INCREASED WORKLOAD RESULTING FROM THE DRUG PRICE COMPETITION AND PATENT TERM RESTORATION ACT. THIS NEW LEGISLATION EXTENDED THE USE OF ABBREVIATED NEW DRUG APPLICATIONS OR ANDAS. PREVIOUSLY, ANDAS WERE ALLOWED ONLY FOR THOSE DRUGS APPROVED FOR SAFETY BETWEEN 1936 AND 1962, BUT NOW A MANUFACTURER OF A GENERIC COPY OF A DRUG APPROVED AFTER 1962 MAY USE AN ANDA INSTEAD OF AN NDA. AN ESTIMATED 150 DRUG PRODUCTS APPROVED AFTER 1962 ARE CURRENTLY OFF PATENT AND ARE NOW AVAILABLE FOR GENERIC COPY USING THE ANDA PROCEDURE. SINCE THE LEGISLATION WAS PASSED, THE NUMBER OF ANDAS SUBMITTED TO FDA HAS MORE THAN DOUBLED. MANY DRUGS ARE STILL UNDER PATENT PROTECTION, BUT 9 OF THE 10 TOP SELLING DRUGS ARE NOW AVAILABLE TO THE CONSUMER IN GENERIC VERSIONS. WE TOOK IMMEDIATE ACTION TO HIRE THE NECESSARY STAFF AND TO PROVIDE OTHER SUPPORT FOR THIS EXPANDED WORKLOAD--AND, AS A RESULT, BY THE END OF 1985 WE HAD REACHED VIRTUAL COMPLIANCE WITH THE LEGISLATED DEADLINE OF 180 DAYS TO REVIEW THESE APPLICATIONS. IN FACT, BY THE END OF DECEMBER, WE WERE COMPLETING OVER 95% THESE REVIEWS WITHIN 140 DAYS--40 DAYS LESS THAN THE STATUTORY DEADLINE.

AIDS ACTIVITIES

THERE IS ONE OTHER ASPECT OF HUMAN DRUG DEVELOPMENT THAT I WOULD LIKE TO TALK ABOUT, AND THAT IS DRUGS TO PREVENT OR CURE AIDS. IN 1985, FDA APPROVED THE VERY FIRST HTLV-III ANTIBODY TEST KIT, WHICH PERMITS THE SCREENING OF BLOOD AND PLASMA USED IN TRANSFUSIONS. INCREASED ACTIVITIES BY INDUSTRY AND GOVERNMENT TO DEVELOP NEW PRODUCTS TO DEAL WITH THE AIDS VIRUS WILL SIGNIFICANTLY INCREASE THE NUMBER OF PRODUCT APPLICATIONS SUBMITTED FOR OUR APPROVAL. FOR EXAMPLE, NIH IS ESTABLISHING NEW TREATMENT EVALUATION UNITS IN 1986 THAT WILL RESULT IN A CORRESPONDING INCREASE IN INVESTIGATIONAL DRUG REQUESTS IN FDA. THESE APPLICATIONS DEMAND FREQUENT INTERACTION BETWEEN THE SPONSOR AND FDA REVIEWERS. IN FACT, OUR CONTACT WITH THE SPONSOR BEGINS WELL BEFORE AN INVESTIGATIONAL NEW DRUG (IND) APPLICATION IS EVEN SUBMITTED AND OCCURS ALMOST DAILY IN THE EARLY PHASES OF THE IND TRIALS. ONCE THE CLINICAL TRIALS ARE COMPLETED, WE MUST ACT WITH GREAT SPEED ON THE NEW PRODUCT APPLICATIONS THAT GENERALLY ARE SUBMITTED. FDA WILL CONTINUE TO MEET THIS CHALLENGE. WE HAVE WORKED CLOSELY WITH DRUG SPONSORS AND HAVE APPROVED SOME NEW INDS FOR AIDS TREATMENT IN AS LITTLE AS 5 DAYS. THE SAME SENSE OF URGENCY APPLIED TO THE HTLV-III ANTIBODY TEST KIT. WE HELPED FIVE PRIVATE FIRMS APPLY A TECHNOLOGY DEVELOPED AT NIH TO DEVELOP A TEST THAT DETECTS HTLV-III ANTIBODIES IN THE BLOOD SUPPLY. THUS, WE WERE ABLE TO APPROVE THE FIRST TEST KIT WITHIN TEN WEEKS OF RECEIVING

THE APPLICATION. WE HAVE MET WITH EVERY MANUFACTURER WHO HAS EXPRESSED INTEREST IN DEVELOPING ANTI-AIDS PRODUCTS TO ENCOURAGE THEM AND TO GUIDE THEM THROUGH THE DRUG DEVELOPMENT PROCESS AS FAST AS POSSIBLE. RECENTLY WE HAVE APPROVED STILL ANOTHER TEST, BUT IN THIS CASE USING THE LAV (LYMPHADNOPATHY ASSOCIATED VIRUS) ISOLATED BY THE FRENCH INVESTIGATORS AND GROWN IN A DIFFERENT CELL LINE. OUR 1987 REQUEST INCLUDES ABOUT $10 MILLION FOR AIDS WORK, ROUGHLY THE SAME AS THE 1986 FUNDING LEVEL.

RISK ASSESSMENT AND MANAGEMENT

ANOTHER CORNERSTONE OF FDA'S ROLE IN PROTECTING THE PUBLIC HEALTH IS OUR RESPONSIBILITY FOR THE ASSESSMENT OF RISK THAT MAY BE POSED BY PRODUCTS WE REGULATE, AND THE ASSOCIATED MANAGEMENT OF THAT RISK. THIS IS A SUBJECT THAT HAS BEEN OF CONCERN TO THIS COMMITTEE, AND TO YOU, MR. CHAIRMAN, FOR YEARS. YOU HAVE OFTEN ADMONISHED US TO COME TO TERMS WITH THE DELANEY CLAUSE, ENACTED IN 1958, WHICH PROHIBITS ANY CANCER-CAUSING INGREDIENT FROM BEING ADDED TO FOOD. THE SCIENCE OF 1986 CAN DETECT PARTICLES AT MINUTE LEVELS (PARTS PER TRILLION) NEVER ENVISIONED BY SCIENTISTS IN 1958 (TEN TO ONE HUNDRED PARTS PER MILLION). MOREOVER, AS TESTING CAPABILITIES HAVE EXPANDED, MORE SUBSTANCES THAN WOULD HAVE BEEN ANTICIPATED IN 1958 HAVE BEEN FOUND TO CAUSE CANCER IN ANIMALS. THESE DEVELOPMENTS HAVE PRESENTED AN INCREASINGLY DIFFICULT CHALLENGE TO FDA. CERTAINLY

REASONABLE PEOPLE WILL AGREE THAT THERE HAS TO BE SOME MINUTE LEVEL AT WHICH AN INGREDIENT POSES AN INSIGNIFICANT RISK. YET THE DELANEY CLAUSE SEEMED TO PROHIBIT US FROM ALLOWING EVEN MINISCULE AMOUNTS OF CARCINOGENS IN ANY FOOD PRODUCTS, REGARDLESS OF HOW INSIGNIFICANT THE RISK OR HOW COSTLY THE SOLUTION.

I AM PLEASED TO REPORT TO YOU TODAY THAT OVER THE PAST FEW YEARS--AND ESPECIALLY LAST YEAR--WE HAVE MADE REAL AND SUBSTANTIAL PROGRESS IN FINDING A WAY TO APPLY SCIENTIFIC AND REGULATORY JUDGMENT TO THE ENFORCEMENT OF THE DELANEY CLAUSE. THIS PROCESS HAS ITS ROOTS IN THE LEGAL CONCEPT KNOWN AS DE MINIMIS AND IN THE SCIENTIFIC CONCEPT KNOWN AS RISK ASSESSMENT. THE RISK ASSESSMENT CONCEPT ALLOWS FDA TO QUANTIFY THE POTENTIAL RISKS ASSOCIATED WITH THE USE OF A PRODUCT IN THE WORST CASE. THE DE MINIMIS CONCEPT ALLOWS FDA TO REFRAIN FROM TAKING ACTION WHEN, BASED ON A RISK ASSESSMENT, A CARCINOGENIC SUBSTANCE PRESENTS ESSENTIALLY NO RISK. RISK ASSESSMENT HAS PREVIOUSLY BEEN USED IN CONNECTION WITH OTHER APPROACHES TO DEALING WITH EXTREMELY LOW CARCINOGENIC RISK. THOSE APPROACHES--THE IMPURITIES POLICY AND THE RECENTLY PUBLISHED SENSITIVITY OF THE METHOD TECHNIQUE--ENABLE US TO USE SCIENTIFIC AND REGULATORY JUDGMENT IN EVALUATING THE RISK POSED BY SMALL AMOUNTS OF CARCINOGENS PRESENT AS CONTAMINANTS IN FOOD ADDITIVES OR AS RESIDUES IN ANIMAL FOOD PRODUCTS. COMMON SENSE TELLS ME THAT WHICHEVER APPROACH IS CHOSEN, THE RESULT OF A CORRECTLY

PERFORMED RISK ASSESSMENT AND THE ASSOCIATED REGULATORY JUDGMENT SHOULD BE AN ADDITIVE WHICH IS CLEARLY SAFE FOR ITS INTENDED USE AND ONE WHICH PRESENTS A VANISHINGLY SMALL OR NON-EXISTENT RISK TO CONSUMERS.

THESE APPROACHES HAVE RECENTLY BEEN USED IN CONSIDERING A NUMBER OF FOOD ADDITIVES FOR WHICH VERY LOW RISKS WERE CALCULATED, INCLUDING SEVERAL COLOR ADDITIVES, METHYLENE CHLORIDE AS A RESIDUE IN DECAFFEINATED COFFEE, AND VINYL CHLORIDE IN PACKAGING MATERIAL. RISK ASSESSMENT, OF COURSE, CAN BE USED TWO WAYS. THE METHYLENE CHLORIDE THAT POSES INSIGNIFICANT RISK IN DECAFFEINATED COFFEE BECAUSE OF ITS MINUTE LEVELS HAS BEEN BANNED FROM USE IN HAIR CARE PRODUCTS AT MUCH HIGHER LEVELS.

A KEY TO OUR PROGRESS IN APPLYING RISK ASSESSMENT IS OUR STRONG SCIENTIFIC AND RESEARCH CAPABILITY, BOTH AT OUR CENTER FOR FOOD SAFETY AND APPLIED NUTRITION AND AT OUR NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH IN ARKANSAS. BECAUSE WE HAVE ALREADY ACHIEVED SUCCESS IN DEVELOPING ANALYTICAL METHODS CAPABLE OF DETECTING MINISCULE LEVELS OF CONTAMINANTS, OUR SCIENTIFIC RESOURCES ARE NOW BEING REDIRECTED TO DEVELOPING IMPROVED, IMPACT-ORIENTED METHODS FOR ASSESSING THE RISKS THAT MAY BE POSED BY PRODUCTS THAT MAY CONTAMINATE THE FOOD SUPPLY. THIS SCIENTIFIC AND RESEARCH CAPABILITY BECOMES INCREASINGLY MORE ESSENTIAL AS WE BEGIN MORE AND MORE TO APPLY SCIENTIFIC AND REGULATORY

JUDGMENT REGARDING PERMISSIBLE LEVELS OF INADVERTENT OR UNINTENTIONAL CONTAMINANTS. FOR EXAMPLE, AT THE PRESENT TIME, THE UNCERTAINTIES ASSOCIATED WITH OUR METHODS TO MEASURE RISK REQUIRES THAT THE JUDGMENT WE DO EXERCISE MUST BE BASED ON EXTREMELY CONSERVATIVE ASSUMPTIONS. AS OUR SCIENTIFIC KNOWLEDGE INCREASES AND WE ELIMINATE THESE UNCERTAINTIES, WE BELIEVE THESE ASSUMPTIONS CAN BECOME LESS CONSERVATIVE, AND OUR POLICIES ON LEVELS OF UNINTENTIONAL OR INADVERTENT CONTAMINANTS CAN BE MORE CLEARLY ESTABLISHED THROUGH SCIENTIFIC PRINCIPLES. OF COURSE, THE SUCCESS OF THIS EFFORT DEPENDS OF RESEARCH EFFORTS NOW UNDERWAY WHICH WILL EXTEND FOR SOME TIME INTO THE FUTURE.

FACILITIES

WITH REGARD TO OUR EFFORTS-TO IMPROVE OUR RISK ASSESSMENT CAPABILITIES, IT IS APPROPRIATE THAT I ALSO REPORT ON THE PROGRESS OF OUR NEW HEADQUARTERS LABORATORIES IN BELTSVILLE, MD. THANKS TO CONTINUED SUPPORT FROM THIS SUBCOMMITTEE, MODULE I OF THE NEW FACILITIES IS NEARLY READY TO RECEIVE THE ANIMAL TESTING AND RELATED LABORATORY FACILITIES PRESENTLY HOUSED AT FEDERAL BUILDING 8 HERE IN WASHINGTON. THIS RELOCATION SHOULD BEGIN WITHIN THE NEXT FEW MONTHS.

MR. CHAIRMAN, I CANNOT EMPHASIZE TOO STRONGLY MY BELIEF THAT A STRONG SCIENCE BASE IS ESSENTIAL TO THE AGENCY'S

ABILITIES TO ENSURE CONSUMER PROTECTION AND TO PROMOTE INNOVATION. OUR ABILITY TO ASSESS RISKS ACCURATELY DEPENDS ON CONTINUED IMPROVEMENT IN OUR ABILITY TO EXTRAPOLATE THE RESULTS OF ANIMAL TESTS TO POSSIBLE EFFECTS ON HUMANS. OUR CAPABILITY TO KEEP ABREAST OF EMERGING TECHNOLOGIES, THEREBY KEEPING US IN THE MAINSTREAM OF PRODUCT DEVELOPMENT, DEPENDS GREATLY ON OUR ABILITY TO PROVIDE THE AGENCY'S SCIENTISTS WITH AN ENVIRONMENT COMMENSURATE WITH THEIR SKILLS. THIS NEW LABORATORY FACILITY WILL GO A LONG WAY TOWARD IMPROVING THE AGENCY'S SCIENCE ENVIRONMENT.

WE ARE ALSO NEARING COMPLETION OF ANOTHER IMPORTANT ADDITION TO OUR OVERALL LABORATORY CAPABILITY, NAMELY THE EXPANSION OF OUR TOXICOLOGY LABORATORIES AT THE NCTR, WHICH WAS FUNDED IN 1984. WHILE OUR FACILITY AT BELTSVILLE WILL BE PRIMARILY DEVOTED TO FOOD RESEARCH ACTIVITIES, OUR WORK AT NCTR COMPRISES NOT ONLY BASIC INVESTIGATIONS OF THE MECHANISMS OF TOXICITY, BUT ALSO STUDIES DIRECTED AT MORE IMMEDIATE PROBLEMS NOT JUST WITH FOODS BUT ALSO WITH DRUGS AND WITH MEDICAL DEVICES AS WELL.

EMERGENCY ACTIONS

ANOTHER WAY FDA PROTECTS THE PUBLIC HEALTH IS BY RESPONDING QUICKLY AND DECISIVELY TO PRODUCT EMERGENCIES. A RECENT DEMONSTRATION OF THIS ROLE OCCURRED IN THE TYLENOL EMERGENCY AND THE RECENT CONCERN WITH GLASS IN BABY FOOD.

BECAUSE OF THE NATIONWIDE DEPLOYMENT OF OUR FIELD INSPECTORS AND LABORATORY PERSONNEL, AND BECAUSE OF THEIR INTERDISCIPLINARY SKILL AND EXPERIENCE, WE ARE ABLE TO RESPOND QUICKLY TO EMERGENCIES THAT MAY ARISE, AND WE CAN WORK AROUND THE CLOCK IN CONCERT WITH OUR SISTER AGENCIES AT THE STATE AND FEDERAL LEVELS WHEN PUBLIC HEALTH IS JEOPARDIZED. IN THE CASE OF DRUG-TAMPERING, WE LEARNED ABOUT A DEATH THE AFTERNOON OF FEBRUARY 10. BY THAT EVENING, WE HAD COLLECTED ALL SAMPLES OF THE DRUG FROM THE STORE WHERE IT WAS PURCHASED. WITHIN 3 DAYS WE HAD ANALYZED OVER 70,000 CAPSULES OF THE DRUG, AND WITHIN 3 WEEKS WE HAD ANALYZED OVER 1 MILLION CAPSULES. WITHIN 5 DAYS WE HAD ALSO THOROUGHLY RE-INSPECTED ALL THREE PLANTS WHERE THE DRUG WAS PRODUCED. OF COURSE, THE RESPONSIBLE COOPERATION OF THE MANUFACTURER OF THE DRUG WAS EXTREMELY HELPFUL IN DEALING WITH THIS CRISIS.

WHILE THIS DRUG EMERGENCY WAS IN FULL SWING, WE ALSO HAD A REPORT OF GLASS IN BABY FOOD ON FEBRUARY 14. WITHIN A WEEK, WE HAD RE-INSPECTED ALL THREE FACILITIES PRODUCING THE BABY FOOD AND HAD EXAMINED 6,000 JARS FOR GLASS FRAGMENTS. WE HAD INCREASED THAT NUMBER TO OVER 40,000 JARS BY EARLY MARCH.

INTENSIVE EFFORTS TO INVESTIGATE BOTH OF THESE SITUATIONS WERE CONDUCTED CONCURRENTLY AT A NUMBER OF GEOGRAPHICALLY DISPERSED LOCATIONS THROUGHOUT THE UNITED

STATES. BECAUSE WE HAVE A NATIONALLY DISPERSED FIELD STAFF WHO ARE INVOLVED IN ROUTINE INSPECTIONS AND SURVEILLANCE OF THE INDUSTRY WE REGULATE, WE ARE IN A POSITION TO REDIRECT THE STAFF IMMEDIATELY TO COPE WITH EMERGENCIES THAT MAY ARISE. THIS STAFF RESOURCE IS REALLY THE BACKBONE OF OUR RISK MANAGEMENT AND PUBLIC HEALTH ENFORCEMENT CAPABILITY.

REGULATIONS

NOT AS DRAMATIC AS OUR EMERGENCY EFFORTS BUT EQUALLY IMPORTANT ARE OUR LONGER-RANGE EFFORTS TO PROTECT THE PUBLIC HEALTH BY DEVELOPING NEW OR REVISED REGULATIONS. IN SOME CASES, WE MUST DEVELOP NEW WAYS TO DEAL WITH KNOWN RISKS, WHILE IN OTHER CASES WE CAN USE LABELING AND EDUCATION AS AN ALTERNATIVE TO REMOVING OR CHANGING PRODUCTS ON THE MARKET. AT THE SAME TIME, WE ALSO STRIVE TO MAKE REGULATION LESS BURDENSOME WHEN PUBLIC HEALTH CONSIDERATIONS PERMIT, TO REDUCE THE COST TO INDUSTRY AND THE RESULTANT COST TO THE CONSUMER AND TO OUR NATIONAL ECONOMY, AND TO DEVELOP AND PROMOTE THE SAFE USE OF NEW TECHNOLOGIES, SUCH AS THE USE OF FOOD IRRADIATION.

I HAVE ALREADY DISCUSSED SOME OF THE IMPORTANT REGULATIONS WE HAVE DEVELOPED ON THE BASIS OF OUR RISK ASSESSMENT ACTIVITIES, SUCH AS ALLOWING THE USE OF METHYLENE CHLORIDE IN SOME CASES WHILE RESTRICTING IT IN OTHER PRODUCTS. I WOULD ALSO LIKE TO MENTION THREE OTHER MAJOR

ISSUES OF CONCERN TO US THIS PAST YEAR--REYE SYNDROME, SULFITES, AND FOOD IRRADIATION.

REYE SYNDROME

A RISK MANAGEMENT LANDMARK IN 1985 WAS THE VOLUNTARY PROGRAM TO LABEL ASPIRIN PRODUCTS AND TO ALERT THE PUBLIC TO THE POSSIBLE ASSOCIATION OF ASPIRIN AND REYE SYNDROME IN CHILDREN AND TEENAGERS WITH FLU OR CHICKEN POX. UNDER THIS PROGRAM, ALL OF THE MEMBERS OF THE ASPIRIN FOUNDATION, AN ASSOCIATION OF MAJOR PRODUCERS OF ASPIRIN, VOLUNTARILY RE-LABELED THEIR PRODUCTS, AND FDA JOINED THE INDUSTRY IN A MAJOR PUBLIC INFORMATION CAMPAIGN THAT MADE OVER 80% OF PARENTS AWARE OF THE SITUATION BY THE END OF JUNE. A CENTER FOR DISEASE CONTROL MORBIDITY AND MORTALITY WEEKLY REPORT ATTRIBUTES THE DECLINING NUMBERS OF REYE SYNDROME CASES FOR 1985, NOTWITHSTANDING THE CONCOMITANT INCREASE IN THE INCIDENCE OF FLU, TO THIS PUBLICITY. THE EDUCATIONAL EFFORT HAS CONTINUED THIS YEAR TO INCREASE AWARENESS STILL FURTHER, ESPECIALLY AMONG TEENAGERS. TO ENSURE CONSISTENCY OF LABELING LANGUAGE AND FULL COMPLIANCE, WE ISSUED A FINAL REGULATION ON MARCH 7, 1986, FOLLOWING UP ON THE VOLUNTARY EFFORT TO GET THE WORD OUT QUICKLY. THUS, THE MEANS ARE IN PLACE TO PREVENT A POTENTIALLY DEADLY SIDE EFFECT OF WHAT IS OBVIOUSLY A VERY IMPORTANT PRODUCT FOR MANY USES.

SULFITES

I WOULD NOW LIKE TO DESCRIBE THE AGENCY'S PROGRESS IN ANOTHER AREA BOTH OF CONSUMER AND OF CONGRESSIONAL CONCERN: THE USE OF SULFITING AGENTS. BECAUSE SO MUCH NEW INFORMATION ON THE SAFETY OF SULFITES HAD BECOME AVAILABLE SINCE THE 1976 REPORT BY THE FEDERATION OF AMERICAN SOCIETIES FOR EXPERIMENTAL BIOLOGY (FASEB) ON THE ISSUE, WE REQUESTED FASEB TO LOOK AT THIS SUBJECT AGAIN. FOLLOWING FASEB'S CONCLUSION THAT THE SUBSTANCE DID INDEED POSE A THREAT TO SULFITE-SENSITIVE MEMBERS OF THE PUBLIC WHEN USED IN CERTAIN FOODS, WE HAVE PUBLISHED PROPOSALS THAT WILL DO SEVERAL THINGS: (1) CLARIFY WHEN SULFITES IN ANY FOODS MUST BE DECLARED ON THE LABEL; (2) REVOKE THE GENERALLY RECOGNIZED AS SAFE, OR GRAS, STATUS OF SULFITES ON THOSE FRUITS AND VEGETABLES THAT ARE SERVED OR SOLD RAW; AND (3) REQUIRE WARNING STATEMENTS IN THE PROFESSIONAL LABELING OF PRESCRIPTION DRUGS CONTAINING SULFITES. WE ARE CURRENTLY REVIEWING THE MANY COMMENTS WE HAVE RECEIVED ON THESE PROPOSALS. WE ARE ALSO CONSIDERING CHANGING THE GRAS STATUS OF THE USE OF SULFITES ON POTATOES OR IN POTATO PRODUCTS.

BY THIS APPROACH TO THE MANY USES OF SULFITES, WE HAVE TAKEN STRONG ACTION TO DEAL WITH THOSE USES THAT CLEARLY POSE A RISK, WHILE IN OTHER CASES WE HAVE DEMONSTRATED THAT WE MUST ANALYZE CAREFULLY THE LEVEL OF RISK AND HOW IT CAN BE MINIMIZED WITH RESPECT TO DIFFERENT FOOD PRODUCTS.

FOOD IRRADIATION

ANOTHER ISSUE WHICH HAS BEEN OF CONCERN TO THIS SUBCOMMITTEE FOR SEVERAL YEARS IS THE PROMOTION OF FOOD IRRADIATION AS AN ALTERNATIVE TO CHEMICAL MEANS OF FUMIGATION OF FRESH FRUITS AND VEGETABLES. WHILE WE HAVE KNOWN THAT THE PROCESS BASICALLY IS SAFE, WE HAVE HAD TO STUDY A NUMBER OF COMPLEX ISSUES, IN CLOSE COORDINATION WITH USDA, RELATING TO WHAT LEVELS OF IRRADIATION ARE EFFECTIVE AND TO THEIR POSSIBLE EFFECTS ON THE MARKETABILITY OF THE PRODUCTS. AT THE SAME TIME, WE HAVE COME UP WITH A WAY TO MEET THE LEGISLATED REQUIREMENT FOR LABELING OF IRRADIATED PRODUCTS THAT WILL ENABLE CONSUMERS TO KNOW THAT THE PROCESS HAS BEEN USED, WITHOUT CREATING CONSUMER CONFUSION OR UNNECESSARY COSTS TO THE INDUSTRY, AND WITHOUT REQUIRING LANGUAGE THAT WOULD ENGENDER NEEDLESS FEAR OF THE PROCESS.

THE FINAL REGULATION WILL BE PUBLISHED IN THE VERY NEAR FUTURE, AND I BELIEVE THAT THIS WILL BE CONSIDERED A LANDMARK DEVELOPMENT THAT WILL FOSTER THE USE OF THIS PROCESS, THEREBY PROVIDING BETTER AND SAFER PRODUCTS FOR THE PUBLIC AND ALSO ENHANCING THE MARKET POTENTIAL FOR THE PRODUCERS, NOT ONLY IN THIS COUNTRY BUT ALSO FOR EXPORT.

RESOURCES

NOW LET ME ADDRESS AGENCY RESOURCES, STARTING WITH THE IMPACT OF THE GRAMM-RUDMAN-HOLLINGS ACT ON THIS FISCAL YEAR. EFFORTS TO ACCOMMODATE THE REDUCTIONS IMPOSED AS A RESULT OF THE GRAMM-RUDMAN-HOLLINGS ACT WELL INTO THIS FISCAL YEAR HAVE PRESENTED US WITH A DIFFICULT CHALLENGE. A LARGE PART OF THE DIFFICULTY ARISES FROM THE FACT THAT ABOUT TWO THIRDS OF OUR APPROPRIATED DOLLARS GO TO PAY THE SALARY AND BENEFITS OF FDA EMPLOYEES, WHO ARE THE AGENCY'S MOST IMPORTANT AND PRECIOUS RESOURCE. THE VALUE OF THIS RESOURCE IS PARTICULARLY EVIDENT AT TIMES OF A PRODUCT EMERGENCY, SUCH AS THE RECENT DRUG-TAMPERING AND BABY FOOD INCIDENTS. IT IS WITH SOME PRIDE AND SATISFACTION THAT I CAN REPORT TO YOU THAT IT NOW APPEARS THAT FDA CAN GET THROUGH THE FISCAL YEAR WITHOUT HAVING TO RIF OR FURLOUGH EMPLOYEES, ALTHOUGH WE ARE NOT TOTALLY OUT OF THE WOODS YET.

WE HAVE BEEN ABLE TO ACCOMPLISH THIS ONLY THROUGH AN EXTRAORDINARY PULLING TOGETHER OF AGENCY EMPLOYEES IN THE FACE OF THIS CHALLENGE, AND BY MAKING SOME TRULY DIFFICULT DECISIONS. THESE INCLUDE A VIRTUAL FREEZE ON MOST HIRING FOR THE REST OF THE FISCAL YEAR, AND CUTS IN OPERATING SUPPORT FOR EXISTING EMPLOYEES. ALTHOUGH REGULATORY TRAVEL WILL BE FUNDED AT THE LEVEL ORIGINALLY PLANNED, ALL OTHER TRAVEL WILL BE REDUCED BY 50% FOR THE BALANCE OF THE FISCAL YEAR, AND OUR

TOTAL FUNDS FOR SUPPLIES AND FOR EQUIPMENT WILL BE REDUCED BY 18% AND 41%, RESPECTIVELY. FUNDING AT THESE REDUCED LEVELS COULD NOT BE RESPONSIBLY SUSTAINED FOR MORE THAN A FEW MONTHS, AND THE 1987 ESTIMATES FOR FDA WOULD RESTORE US TO PRE-GRAMM-RUDMAN-HOLLINGS OPERATING LEVELS, AND PROVIDE FOR SOME PROGRAM INCREASES.

1987 BUDGET REQUEST

OUR TOTAL REQUEST FOR 1987 IS FOR $449.4 MILLION, OF WHICH $25.8 MILLION WOULD BE DERIVED FROM THE NEW PRODUCT REVIEW CHARGES. THE REQUESTED AMOUNT WILL MAINTAIN THE PRE GRAMM-RUDMAN-HOLLINGS LEVEL OF PROGRAM OPERATIONS AND ALLOW FOR SIGNIFICANT PROGRAM ENHANCEMENTS ASSOCIATED WITH THE AGENCY'S ACTION PLAN IN THE AREA OF NEW DRUG REVIEW. THE PROGRAM INCREASES WOULD BE ENTIRELY IN THE AREA OF HUMAN DRUGS, AND WOULD BE USED TO FURTHER IMPROVE THE PROCESS BY WHICH WE REVIEW THE SAFETY AND EFFICACY OF NEW DRUGS.

THE FUNDING INCREASE WOULD BE DERIVED FROM PRODUCT REVIEW CHARGES FOR FDA'S DRUG APPROVAL ACTIVITIES. WE THINK THESE CHARGES ARE APPROPRIATE BECAUSE THE AGENCY'S ACTIVITIES IN THIS AREA CLEARLY BENEFIT INDUSTRY AT THE SAME TIME THEY PROTECT CONSUMERS. THEREFORE, WE ARE DEVELOPING A LEGISLATIVE PROPOSAL TO AUTHORIZE THE COLLECTION OF SUCH CHARGES FOR OUR REVIEW OF NEW PRODUCT APPROVAL APPLICATIONS, NOT UNDER AUTHORITY OF THE USER CHARGE ACT, BUT UNDER

SPECIFIC STATUTORY AUTHORITY. REVENUES FROM THESE COLLECTIONS WOULD BE USED TO OPERATE AND TO IMPROVE THE AGENCY'S NEW PRODUCT EVALUATION PROCESSES, WHILE AT THE SAME TIME REDUCING THE LEVEL OF APPROPRIATIONS. WE ARE FULLY COGNIZANT OF THE COMMITTEE'S PAST GUIDANCE ON USER CHARGES, AND THAT IS WHY WE ARE DEVELOPING A NEW SEPARATE LEGISLATIVE PROPOSAL, TO ALLOW FOR FULL REVIEW OF THE ISSUE.

FINALLY, I WOULD LIKE TO CONCLUDE BY SHARING WITH YOU THE RESULTS OF A RECENTLY CONDUCTED ROPER SURVEY, WHICH INDICATES THAT FDA REMAINS FAVORABLY CONSIDERED BY THOSE POLLED. IN FACT, OUT OF 15 FEDERAL AGENCIES, FDA RANKS THIRD IN THE OPINION OF THOSE SURVEYED. WE ARE PROUD OF OUR STANDING WITH THE AMERICAN PUBLIC, AND WILL MAKE EVERY EFFORT TO CONTINUE THE LEVEL OF AGENCY PERFORMANCE THAT HAS EARNED IT. OUR BUDGET REQUEST FOR 1987 WILL ALLOW US TO DO THAT.

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED REMARKS. I WOULD BE HAPPY TO RESPOND TO ANY QUESTIONS YOU OR THE OTHER MEMBERS MAY HAVE.

FISCAL YEAR 1987

Volume IX

Justification of Appropriation Estimates for Committee on Appropriations

Food and Drug Administration

FOOD AND DRUG ADMINISTRATION
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FOOD AND DRUG ADMINISTRATION

Highlights of the 1987 Budget Justification

The 1987 budget request of $449.4 million for the Food and Drug Administration includes $423.6 million in appropriations plus $25.8 million from additional fee-for-service collections. The request maintains the current level of program operations, includes increases for direct payroll and other operating costs, and allows for significant program enhancements associated with the FDA Action Plan, which are to be supported by product approval charges.

New Drug Evaluation

The first goal of the FDA Action Plan, released in July of 1985, is to improve the process by which new drug applications are reviewed. A top priority in 1987 will be to accelerate the new drug approval process while still assuring the safety and efficacy of new products. Revisions in the regulations regarding New Drug Applications (NDAs), as well as other management initiatives taken by the Agency, are expected to result in significant reductions in review time, which has been averaging about 24 months for all NDAs. The Agency is encouraged by the fact that 30 drugs that were new chemical entities were approved in calendar 1985, a new record. However, further efforts are essential if the Agency is to continue to reduce the review time for all NDAs. Therefore, in 1987, FDA will reallocate 40 staffyears to the new drug evaluation process, and is also requesting a funding increase of $14 million for this program, to be derived from product approval charges. These combined resources will be used to expand medical and scientific review staffs, improve management systems, and increase the Agency's capacity to utilize outside support for these processes.

Product Approval Charges

This request includes $25.8 million to be derived through new fee-for-service charges for FDA's drug approval activities. While the Agency's activities protect consumers, industry clearly benefits from regulation as well. For example, drug manufacturers benefit from the assurances provided to the consumer which are created by FDA approval. Therefore, FDA is developing a legislative proposal which would provide specific statutory authority to collect charges for FDA's review of new product applications. Revenues from these collections would be used to improve the Agency's new product review processes, while at the same time reducing the need for appropriations.

AIDS Activities

Activities with respect to AIDS are a critical priority in the Agency. In 1985, FDA approved the first ever HTLV-III antibody test kits, which permit the screening of blood and plasma to assure the safety of the blood supply. With the resources provided by Congress in 1986, FDA will continue to respond to the ever-increasing base of knowledge about AIDS. In view of the expanded research nationally, the Agency's workload is increasing rapidly. Increased activity by industry and government to develop new products to deal with the disease will geometrically increase the number of INDs, NDAs, and biological products applications submitted for FDA approval. In 1986, for example, NIH is establishing new treatment evaluation units, which will result in a corresponding increase in investigational drug requests in FDA. Rapid and successful handling of the applications requires frequent interaction between sponsor and reviewer, particularly in the case of IND requests, where this contact begins well before an IND is submitted and occurs almost daily in the early phases of the IND trials. Once the clinical trials are completed, the urgency of the AIDS program demands that FDA act with record speed on the new product applications which will be submitted. The 1987 request includes approximately $10 million which is sufficient to meet these needs.

ANDA Workload

FDA continues activities greatly increased in 1985 in response to new legislation which allowed an expanded use of the abbreviated new drug application mechanism (ANDA). Prior to enactment of this legislation ANDAs were allowed only for those drugs approved for safety between 1938 and 1962. Under the new legislation, a manufacturer of a generic copy of a drug approved after 1962 may use an ANDA instead of an NDA. An estimated 150 drug products approved after 1962 are currently off patent and are now available for generic copy using the ANDA procedure. The legislation is expected to lead to the submission of approximately 3,000 ANDAs in the early years of implementation, and in fact in the year since the legislation was passed, the number of applications has more than doubled. Many drugs are still under patent protection, but 9 of the top 10 selling drugs are now available in generic versions. FDA took immediate action to hire the necessary staff and provide other support, and as a result reached virtual compliance with the legislated deadline of reviewing these applications within 180 days by the end of 1985.

Orphan Drugs

The Agency continues to vigorously encourage the development and introduction into the market of new Orphan products. Such products include human drugs, biologics, foods for medical uses, and medical devices of very limited application, and have been the subject of strong public and Congressional concern. In 1985, the Agency approved three New Drug Applications for new orphan products, including a drug to treat a rare and fatal disease which occurs in a large number of AIDS patients. In addition, the Agency published FEDERAL REGISTER notices seeking sponsors for two products, and obtained commitments by sponsors to develop two new products for orphan uses. Also, under the provisions of the Orphan Drug Act, FDA approved 53 requests for official designation of products as orphan drugs (this designation entitles the sponsor to tax credits for clinical research expenses as well as eligibility for exclusive NDA approval status for unpatentable drugs). From 1982 through 1985, FDA has approved for marketing a total of 19 orphan products.

The Agency also awarded $2.6 million for extramural studies of orphan products in 1985, including both new grants and continuations of projects begun in 1984. Included in the $2.6 million is $1 million under an interagency agreement with the National Institute for Child Health and Human Development for the award of orphan product research grants. With the increase provided in 1986, FDA intends to award about $2.8 million for such grants in 1986, and $3 million in 1987.

The Agency is still assessing the impact of the reduction to be implemented as a result of the Balanced Budget and Emergency Deficit Reduction Act of 1985. Therefore, the precise distribution of the expenses to be reduced, and the estimated accomplishments for 1986 shown in this Justification, must be considered preliminary at this time.

The following is a summary of FDA's budget request for 1987:

	Full-time Equivalent Staffyears	$000
1986 Total Obligations............................	6,950	$421,747 1/
Section 515 Withholding..........................	—	- 198
Reduction Pursuant to PL 99-177 (Sequestering)..		-18,135
1986 Revised Obligations..........................	6,950	403,414
1986 Appropriation................................	6,950	430,967 1/
General Staffing Reduction.......................	- 193	—
PL 99-190 Reduction (6/10 of 1%)................	—	-2,546
PL 99-190 Not available for obligation..........	—	-6,774
1986 Current Estimate............................	6,757	421,747
Built-in changes:		
Personnel-related costs.......................	—	+ 3,087
Other operating costs.........................	—	+10,166
Program Increase..............................	—	+14,400
1987 Total Obligations...........................	6,757	449,400
User Charge collections.......................	—	-25,800
1987 Budget Request..............................	6,757	$423,600

1/ Includes Buildings and Facilities, appropriated in 1986 as a separate account.

FOOD AND DRUG ADMINISTRATION

Statement of Purpose

The mission of the Food and Drug Administration (FDA) is to protect the public health of the Nation against hazardous foods, drugs, biological products, cosmetics, medical devices, and radiological products. FDA's regulatory functions are geared to insure that: foods are safe, pure, and wholesome; human and animal drugs, medical devices, and biological products are safe and effective; cosmetics are safe; all of the above are honestly and informatively packaged; and exposure to potentially injurious radiation is minimized.

To accomplish its mission, FDA sets food and product standards; evaluates the safety and efficacy of new drugs and devices before they are marketed; conducts and sponsors research to detect health hazards and violations of laws or regulations; informs business firms and consumers about FDA related topics; works with state and local agencies to develop programs that will supplement or complement those of FDA; maintains surveillance over foods, drugs, devices, and electronic products to ensure that they are safe, effective, and honestly labeled; and takes legal action where necessary to remove violative products from the marketplace and to prosecute firms or individuals that violate the law.

The programs in support of these objectives are discussed in this appropriation justification within five budget activities: (1) Foods, (2) Drugs, (3) Devices and Radiological Products, (4) National Center for Toxicological Research, and (5) Program Management. These activities encompass all of the interrelated programs that FDA implements in carrying out its mission.

Appropriation Language

[Salaries and] *Program* Expenses

For necessary expenses of the Food and Drug Administration; for rental of special purpose space in the District of Columbia or elsewhere; and for miscellaneous and emergency expenses of enforcement activities, authorized and approved by the Secretary and to be accounted for solely on the Secretary's certificate, not to exceed $25,000; $423,600,000, of which $1,450,000 shall remain available until expended for construction and renovation of facilities: Provided, That collections from user fees 1/ *may be credited to appropriations available to the Food and Drug Administration, and shall remain available until expended. Provided* 2/ *further, That such amounts as the Secretary deems necessary may be transferred to "Priority Disease Control and Research Projects." Funds provided under this heading may be used for one-year contracts which are to be performed in two fiscal years so long as the total amount for such contracts is obligated in the year for which the funds are appropriated.*

Note. - A regular 1986 appropriation for this account had not been enacted at the time this budget was prepared. A continuing resolution (Public Law 99-190) provides funds to the extent and in the manner provided for in the conference version of H.R. 3037, making appropriations for Agriculture, Rural Development, and Related Agencies, 1986.

1/ The request for Program Expenses includes funding for Buildings and Facilities and Standard Level User Charges, previously appropriated as separate accounts.

2/ The proposed language pertaining to user fees will permit the crediting directly to this account of collections from new product approval fees; new legislation will be proposed that will provide specific statutory authority for FDA to implement such fees.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
APPROPRIATION SUMMARY

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual			7,024	$412,895,000		
1986 Total Obligations			6,950	420,306,000		
Section 515 Withholding			---	- 198,000		
Reduction Pursuant to PL 99-177 (Sequestered)			---	-18,073,000		
1986 Revised Obligations			6,950	402,035,000		
1986 Appropriation Estimate			6,950	430,967,000 1/		
General Staffing Reduction			-193	---		
PL 99-190 Reduction (6/10 of 1%)			---	- 2,545,000		
PL 99-190 Not available for obligation			---	- 6,674,000		
1986 Current Estimate	6,950	$430,967,000	6,757	421,747,000	-2.9%	-2.1%
Built-In changes:						
Personnel related costs			---	3,087,000		
Operating expenses			---	10,166,000		
Program Changes:						
Human Drugs and Biologics/New Drug Evaluation (NDE) 2/			+ 40	+ 2,000,000		
Offsetting reduction in other activities			- 40	- 2,000,000		
Program Increase (NDE)			---	+14,400,000		
1987 Total Obligations	6,757	421,747,000	6,757	449,400,000	---	6.6%
User Charge Collections			---	-25,800,000		
1987 Budget Request	6,757	449,400,000	6,757	423,600,000	---	-5.7%
(Net Change from 1986 Current Estimate)			(---)	(+1,853,000)		

1/ Includes SLUC, $25,888, which was appropriated as a separate account in 1986 and Buildings and Facilities, $1,450,000 formerly a separate account.

2/ FDA is requesting an increase of 40 FTEs and $2.0 million for the New Drug Evaluation project in the Human Drugs and Biologics activity. This increase is offset by an across-the-board reduction in FDA activities.

DISTRIBUTION OF FDA RESOURCES
Program Expenses

		1986 Revised Obligations (After sequestration)				1987			
	1986 Before Sequestration			Percent of Total				Percent of Total	
	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000
FOODS									
Food Safety									
Foodborne Biological Hazards..	$49,832	906	$47,689	13.4	11.8	899	$51,165	13.3	11.4
Chemical Contaminants..........	24,960	479	23,887	7.1	5.9	476	25,700	7.1	5.7
Food Additives.................	15,995	254	15,307	3.8	3.8	252	16,366	3.7	3.7
Nutrition......................	11,054	176	10,579	2.6	2.6	175	11,331	2.6	2.5
Cooperative Food Programs......	7,155	135	6,847	2.0	1.7	134	7,356	2.0	1.6
Total Food Safety..............	108,996	1,950	104,309	28.9	25.8	1,936	111,918	28.7	24.9
Food Economics...................	2,887	62	2,762	0.9	0.7	62	3,003	0.9	0.7
Cosmetics........................	2,801	55	2,681	0.8	0.7	55	2,902	0.8	0.6
TOTAL FOODS......................	114,684	2,067	109,752	30.6	27.2	2,053	117,823	30.4	26.2

	1986 Before Sequestration	1986 Revised Obligations (After sequestration)				1987			
				Percent of Total				Percent of Total	
	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000
DRUGS									
Human Drugs and Biologics									
New Drug Evaluation............	$25,253	475	$24,167	7.0	6.0	515	$42,547	7.6	9.5
Orphan Drugs..................	4,672	34 1/	4,471 1/	0.3	0.9	34 1/	4,750 1/	0.3	0.9
Drug Quality Assurance.........	35,482	733	33,956	10.9	8.4	729	36,665	10.8	8.1
Generic Drug Standards.........	4,344	95	4,157	1.4	1.0	94	4,468	1.4	1.0
Generic Drug Evaluation........	8,640	176	8,268	2.6	2.1	176	8,971	2.6	2.0
OTC Drug Evaluation............	4,335	84	4,149	1.2	1.0	83	4,442	1.2	1.0
Biopharmaceutics...............	4,336	79	4,149	1.2	1.0	78	4,434	1.2	1.0
Bio-Research Monitoring........	8,332	170	7,974	2.5	2.0	169	8,602	2.5	1.9
Drug Experience & Trend Analysis	4,933	63	4,721	0.9	1.2	63	5,052	0.9	1.1
Prescription Drug Advertising and Labeling................	1,706	31	1,633	0.5	0.4	31	1,764	0.5	0.4
Blood and Blood Products.......	14,954	212	14,311	3.1	3.6	211	15,302	3.1	3.4
Viral & Rickettsial Products...	11,868	137	11,358	2.0	2.8	136	12,076	2.0	2.7
Bacterial & Allergenic Products	5,567	90	5,328	1.3	1.3	89	5,687	1.3	1.3
Health Fraud..................	1,850	39	1,770	0.6	0.4	39	1,923	0.6	0.4
Total Human Drugs and Biologics	135,464	2,402	129,639	35.5	32.1	2,431	155,830	36.0	34.7
Animal Drugs and Feeds									
Animal Feed Safety.............	7,725	134	7,393	2.0	1.8	132	7,881	2.0	1.8
Safety of Animal-Derived Human Foods..................	5,702	95	5,457	1.4	1.4	94	5,834	1.4	1.3
New Animal Drug Evaluation.....	5,460	89	5,225	1.3	1.3	88	5,581	1.3	1.2
Monitoring Marketed Animal Drugs and Devices............	3,394	64	3,248	1.0	0.8	64	3,517	0.9	0.8
Bio-Research Monitoring........	1,025	20	981	0.3	0.2	20	1,062	0.3	0.2
Voluntary Compliance........	501	9	479	0.1	0.1	9	518	0.1	0.1
Total Animal Drugs and Feeds...	23,807	411	22,783	6.1	5.6	407	24,393	6.0	5.4
TOTAL DRUGS......................	159,271	2,813	152,422	41.6	37.7	2,838	180,223	42.0	40.1

1/ Includes $853,000 and 16 FTEs (non-add) representing costs related to Orphan Drugs included in other programs.

	1986 Before Sequestration	1986 Revised Obligations (After sequestration)				1987			
				Percent of Total				Percent of Total	
	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000	Full-time Equivalent	$000
DEVICES AND RADIOLOGICAL PRODUCTS									
Monitoring and Quality Conformance....................	$31,779	608	$30,413	9.0	7.6	605	$32,239	9.0	7.2
Product Evaluation..............	15,284	270	14,627	4.0	3.6	269	15,505	4.0	3.5
Bioeffects Analysis, Testing, and Measurement Development....	11,720	166	11,216	2.5	2.8	165	11,837	2.4	2.6
Education & Assistance..........	9,740	162	9,321	2.4	2.3	161	9,852	2.4	2.2
TOTAL, DEVICES & RADIOLOGICAL PRODUCTS.........................	68,523	1,206	65,577	17.9	16.3	1,200	69,433	17.8	15.5
NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH...........	22,280	280	21,322	4.1	5.3	278	22,664	4.1	5.0
PROGRAM MANAGEMENT.................	55,548	391	53,160	5.8	13.2	388	57,807	5.7	12.9
BUILDINGS AND FACILITIES	1,441	—	1,379	—	0.3	—	1,450	—	—
TOTAL OBLIGATIONS................	421,747	6,757	403,612	100.0	100.0	6,757	449,400	100.0	100.0
User Charge Collections.........	—	—	—	—	—	—	25,800	—	—
TOTAL, FOOD AND DRUG ADMINISTRATION	421,747	6,757	403,612			6,757	423,600		

SIGNIFICANT ITEMS IN APPROPRIATIONS COMMITTEE REPORTS

Fiscal 1985 (Supplemental) House Report No. 99-142	Actions Taken or To Be Taken
Port of Miami Imports	
"The Port of Miami, Florida, has experienced significant problems with lengthy delays in the inspection and release of FDA regulated imports. The Committee has received assurances that FDA is reviewing its organization and staffing to address this situation, and will expect the Agency to station at least one consumer safety officer and one compliance officer in Miami at the earliest possible date." (p. 21)	A Consumer Safety Officer from the Portland, Oregon, Resident Post was selected in July to fill the Compliance Officer position in Miami. Due to relocation problems other staff were detailed to Miami from the first of September until arrangements could be made for permanant relocation. The person selected has since moved to Miami and is now permanantly serving as Compliance Officer. There are now a total of 16 permanent operational investigational staff, including supervisors and the compliance officer, at Miami.
Fiscal 1985 (Supplemental) Senate Report No. 99-82	
Port of Miami Imports	
"The Committee is concerned about the lengthy delays which have been occurring in the review and release of FDA-regulated food imports at Miami, FL." "To alleviate the immediate backlog in Miami, the FDA is directed to place one compliance officer in that post within 45 days of the date of enactment of this legislation." (p. 24)	See previous item.
Fiscal 1986 House Report No. 99-211	
New Drug Applications/User Fees	
"The Committee recommendation includes $5,000,000 to continue the processing of new drug applications with appropriated funds, as well as bill language prohibiting the development, establishment or operation of any program of user fees not specifically authorized by law." (p. 109)	As a result of Congressional action on FDA's 1986 Appropriation, the Agency continues to review new drug applications with appropriated funds, and will take no further action in 1986 to implement user fees under the authority of the User Charge Act. A separate legislative proposal is being drafted, however, to authorize the collection of fees for drug approval activities in 1987.

Fiscal 1986 House Report No. 99-211	Actions Taken or To Be Taken
Orphan Drugs	
"The Committee's recommendation includes not less than $3,500,000 for orphan products in order to reduce the current backlog of approved but unfunded grant applications. Of this amount, not less than $1,800,000 shall be used for funding orphan product grants." (p. 109)	As a result of final action on 1986, the Agency expects to spend about $4.5 million for orphan products work, including about $2.8 million for grants.
Antibiotics in Animal Feeds	
"Ongoing reviews of information regarding antibiotics in animal feeds will be expected to be even-handed and unbiased, and the development of any regulatory proposals will be expected to proceed in a thoughtful, step-by-step manner." (p. 109)	On November 13, 1985, the Secretary issued a decision denying an imminent hazard petition to suspend the subtherapeutic use of penicillin and tetracyclines in animal feeds. FDA is continuing to study the issue and to review the results of FDA's research, as well as studying literature and all other available data collected since 1977 concerning the subtherapeutic use of antibiotics in animal feeds and its impact on antibiotic resistance. FDA will carefully examine all available scientific evidence prior to developing any further regulatory proposals, and will keep the Committee informed of FDA's findings.
Sulfiting Agents	
"The Committee is concerned about questions regarding the safety of sulfites, and supports the earliest possible action to remove the approval of sulfites from the "Generally Regarded as Safe" list for use on fresh fruits and vegetables. The Department of Health and Human Services and the Office of Management and Budget will be expected not to use the regulatory review process to delay or obstruct any such proposal which may be brought forward by the Food and Drug Administration." (p. 109-110)	On August 14, 1985, the Agency published a proposed rule to revoke the GRAS status of sulfites on fruits and vegetables served or sold raw. FDA has reviewed the over 500 comments received in response to the proposal, and is currently drafting a final rule.

Fiscal 1986 Senate Report No. 99-137	Actions Taken or To Be Taken
User Charges	
"The Committee includes the bill language which will permit the crediting directly to this account of up to $5,000,000 collected from new user charges to be implemented in 1986." (p. 115)	A separate legislative proposal is being drafted to authorize the collection of fees for drug review and approval in 1987. As a result of final action on the Agency's 1986 appropriations, new user charges will not be collected in 1986.
Sulfiting Agents	
"The Committee remains extremely concerned about the safety of sulfites as a food additive. The Committee commends FDA for instituting action to ban the use of sulfites on fresh fruits and vegetables and urges the earliest implementation of the ban." "The Committee further understands that the Commissioner is considering the safety of sulfites in two other areas--the use on potatoes and all other uses--and it will expect FDA to continue its safety review of sulfites and report to the Committee in a timely manner." (p. 115)	A report addressing the Committee's concerns will be transmitted to the Committee in the near future. The Agency remains committed to completing the safety review of sulfiting agents, and any necessary regulatory proposals, in a timely manner.
Orange Juice Adulteration	
"The Committee has noted the FDA effort to inventory and catalog orange juice imports into the United States. The Committee believes this is an important effort in the ongoing program to continue strong enforcement of orange juice adulteration laws. The Committee will expect FDA to continue this study and to see it through to its logical conclusion." (p. 115)	The Agency agrees that this is an important effort, and intends to continue, to the extent fiscally possible, our work in the area of developing better methods of detecting orange juice adulteration.

Fiscal 1986 Senate Report No. 99-137	Action Taken or To Be Taken
Antibiotics in Animal Feeds "The Committee is aware that the FDA is continuing to study this issue, and, therefore, will expect the FDA to consider the final reports of the several epidemiological studies commissioned by the Animal Health Institute before the Agency takes further action restricting the use of antibiotics in animal feeds." (p. 116)	On November 13, 1985, the Secretary issued a decision denying an imminent hazard petition to suspend the subtherapeutic use of penicillin and tetracyclines in animal feeds. FDA is continuing to study the issue and to review the results of FDA's research, as well as studying literature and all other available data collected since 1977 concerning the subtherapeutic use of antibiotics in animal feeds and its impact on antibiotic resistance. FDA will carefully examine all available scientific evidence prior to developing any further regulatory proposals, and will keep the Committee informed of FDA's findings.
Fiscal 1986 Conference Report No. 99-439 Acquired Immune Deficiency Syndrome and Orphan Products "The conference agreement includes an appropriation of $10,015,000 and 70 full-time equivalents for work on Acquired Immune Deficiency Syndrome. The conference agreement also includes an appropriation of $4,700,000 for orphan product work, of which not less than $3,000,000 shall be available only for orphan product grants and contracts, to provide for orderly growth in this program." (p. 22)	Orphan products and AIDS efforts will continue to be two of the Agency's highest priorities. The amounts appropriated, however, will have to be reduced to reflect the general reduction in appropriations under the Agriculture Appropriations Act, as well as spending reductions due to sequestration.

Fiscal 1986 Conference Report No. 99-439	Action Taken or To Be Taken
User Charges "Restores and amends House language to provide that none of the funds available to the Food and Drug Administration for salaries and expenses shall be used to develop, establish, or operate any program of user fees authorized by 31 U.S.C. 9701." (p. 22)	The Agency has discontinued its efforts to implement user charges under 31 U.S.C. 9701, known as the User Charge Act, and will not attempt to collect such fees in 1986. Rather, in order to provide for full review of proposed charges by the appropriate Committees of Congress, a separate legislative proposal is being drafted to authorize the collection of fees for new product review and approval in 1987 under specific statutory authority.
Sulfiting Agents "The conference agreement concurs with the Senate amendment which provides that funds available to the Food and Drug Adminsitration shall be used to complete, by June 1, 1986, the safety evaluation of sulfiting agents." (p. 22)	The Agency concurs with the results of FASEB's safety evaluation; i.e., that the use of sulfites on certain foods can cause life-threatening reactions among certain sulfite-sensitive individuals. FDA has published proposals to: clarify when sulfites in any foods must be declared on the label; revoke the GRAS status of sulfites on fruits and vegetables that are served or sold raw; and require warning statements in the professional labeling of prescription drugs containing sulfites. Further regulatory steps under consideration are: action on the GRAS status of sulfite use on potatoes or in potato products; and the need for a new proposal on the GRAS status of sulfite use in all other foods. FDA is committed to completing its own safety evaluation of sulfites in as timely a manner as possible.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
FOOD SAFETY

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual			2,026	$104,927,000		
1986 Total Obligations			2,006	108,996,000		
Section 515 Withholding			—	—		
Reduction Pursuant to PL 99-177 (Sequestered)			—	- 4,687,000		
1986 Revised Obligations			2,006	104,309,000		
1986 Appropriation Estimate			2,006	111,593,000		
General Staffing Reduction			-56	—		
PL 99-190 Reduction (6/10 of 1%)			—	- 658,000		
PL 99-190 Not available for obligation			—	- 1,939,000		
1986 Current Estimate	2,006	$111,593,000	1,950	108,996,000	-2.8%	-2.3%
Built-In changes:						
Personnel related costs			—	928,000		
Operating expenses			—	2,694,000		
Program Changes.						
Reallocation to Human Drugs and Biologics/ New Drug Evaluation 1/			-14	- 700,000		
1987 Budget Request	1,950	108,996,000	1,936	111,918,000	-0.7%	2.7%
(Net Change from 1986 Current Estimate)			(-14)	(+2,922,000)		

1/ FDA is requesting an increase of 40 FTEs and $2.0 million for the New Drug Evaluation project in the Human Drugs and Biologics activity. This increase is offset by an across-the-board reduction in FDA activities.

FOOD SAFETY

SUMMARY OF REQUIREMENTS

Budgetary resources identified with the Food and Drug Administration's (FDA) Food Safety program are used to promote the safety, quality, nutritional adequacy and integrity of the nation's food supply. This is accomplished by research, guidelines, quality control programs, cooperative Federal/state activities and consumer education and information programs, and by regulatory activities such as establishment inspections, sample examinations, seizures, prosecutions and injunctions.

To ensure consumer protection in the area of food safety, FDA is requesting an increase of $3,632,000 for personnel related and operating expenses, (total requested for 1987, $111,918,000).

FOODBORNE BIOLOGICAL HAZARDS

Increase

No program increase is requested for the Foodborne Biological Hazards project in 1987.

Plan of Work

To prevent food that may be hazardous to health because of microbiological contaminants, or otherwise unfit for human consumption because of decomposition or the presence of filth or foreign objects from entering consumer markets, and to control communicable disease that might be introduced, transmitted, or spread by the operations of the interstate transportation industry, in 1987 FDA will:

- Perform 8,135 inspections of food manufacturing and storage establishments. Coverage will include comprehensive inspection of high risk foods, low-acid canned foods and acidified canned foods.
- Perform 11,485 inspections through contracts with States. Coverage will be given primarily to bakeries, soft drink bottling plants, food warehouses and whole grain and bean storage elevators.
- Perform approximately 25,840 wharf examinations and 13,110 sample collections of imported products.
- Perform laboratory analyses of about 2,870 samples of domestic and 10,525 samples of imported foods for microbial and filth contamination, foreign objects, and decomposition.
- Collect and analyze 100 domestic and 100 import food samples to conduct surveillance testing for presence of pathogenic bacteria.

- Continue the development and collaborative study of improved laboratory analytical methods for the detection of microbial hazards, filth, decomposition, and foreign objects.

- Continue studies to identify pathogenic and toxic factors in foodborne bacteria, viruses and parasites.

- Establish or update "defect action levels" (DALs) for filth and decomposition in several food commodities.

- Conduct 2,200 inspections of interstate transportation operations including aircraft, buses, trains, and vessels; and of support operations including catering, commissary, watering point, and waste service facilities.

- Continue assessment of the impact of enteric disease on long term health status.

- Continue studies to assess the impact of abnormal nutrient intakes and marginal nutritional deficiencies on the immune system of laboratory animals.

FOOD ADDITIVES

Increase

No program increase requested for the Food Additives project in 1987.

Plan of Work

To ensure the safety of ingredients added to food, in 1987, FDA will:

- Continue the safety review of substances classified as Generally Recognized As Safe (GRAS).

- Continue updating Food Additive Safety Profiles on each substance under active consideration by incorporating new toxicological data submitted voluntarily to FDA, new data retrieved via computerized literature searches and new exposure estimates for additives developed for FDA by the National Academy of Sciences.

- Continue the maintenance of the computerized data base for food additive safety profiles compiled in the Priority-based Assessment of Food Additives (PAFA).

- Continue maintenance of computerized priority lists of compounds active in the PAFA program. Propose alternative means of handling compounds of highest potential public health concern.

- Respond to food irradiation petitions and inquiries from outside the Agency.

- Continue developing publications resulting from analysis of computerized food additive data contained in safety profiles. On the basis of this work, designate certain "high-concern" additives for further attention to their toxicological data profiles; and designate other "low-concern" additives.

- Continue developing procedures whereby new food additive petition processing can use standard data submission formats and data summary sheets common to the PAFA project requirements for previously regulated additives.

- Investigate 10 non-clinical laboratories to assure the validity and integrity of biomedical research data submitted in support of food additive petitions.

- Review and act on approximately 75 food additive petitions and 10 GRAS affirmation petitions. Continue to review and act on provisionally listed color additives.

- Continue toxicological methods development particularly in areas of neurobehavioral, mutagenic and immunotoxicological activity.

- Continue analytical methods development for determining the presence and amount of additives in food.

- Publish new proposals and final rules as appropriate for sulfiting agents.

- Review comments on proposal relating to carcinogenic constituents in food and color additives and draft a final rule.

- Review comments on acrylonitrile Advance Notice of Proposed Rulemaking and develop a proposed rule. Publish final orders on polyvinyl chloride in packaging material.

NUTRITION

Increase

No program increase is requested for the Nutrition project in 1987.

Plan of Work

To maintain and improve the nutritional quality of the food supply and to encourage the use of sound nutrition principles and labeling in the prevention and dietary management of disease, in 1987 FDA will:

- Continue nutrient toxicity and interactions studies, including studies of the health effects of long-term, high-level dietary supplementation. Initiate studies on nutrient impact on toxicological end-points and on nutrient/drug interactions.

- Continue studies on lipid analysis methods and initiate animal studies to determine the health implications of cholesterol oxides and trans-fatty acids.

- Complete the fifth and begin the sixth revised Total Diet Study analyses of 11 nutrients in the American food supply.

- Continue to monitor nutritional quality and compliance with nutrient labeling regulations by analyzing about 350 domestic and imported food samples and infant formula samples.

- Continue evaluation, development and applications research on more rapid and cost effective methods for nutrient analysis with emphasis on folic acid, fat soluble vitamins, and nutrients in infant formulas (soy-based ready-to-feed).

- Continue study of nutrient analysis of soy-based ready-to-feed formulas.

- Continue state-of-the-art reviews of human nutrition problem areas, including reviews of pediatric and medical foods.

- Continue efforts toward integration of health status data and food consumption data and development of efficient methods for use of food consumption data as a basis for establishing food fortification policy, with specific focus on identification of sources of error in food consumption surveys and use of alternative data sources for dietary and health status assessment.

- Conduct product and labeling studies of the food supply to monitor nutrition and other labeling practices.

- Continue draft of final rule defining low and reduced cholestrol foods.

- Continue efforts to monitor the sodium content of the food supply and the extent of sodium content labeling.

- Continue laboratory investigation of proteinase inhibitors in cooperation with USDA. Examine physiological and biochemical influences on early indicators of adverse effects from proteinase inhibitors.

- Continue evaluation of the safety and efficacy of specialized (medical) foods that may be used to prevent, ameliorate, or cure disease conditions.

- Complete cooperative efforts with two grocery chains on in-store nutrition labeling programs.

- Continue analysis of the updated national vitamin-mineral supplement survey.

- Draft proposed rule to revise nutrition labeling regulations as a result of 1986 reviews.

- Draft proposed rules for public health messages on food labeling.

CHEMICAL CONTAMINANTS

Increase

No program increase is requested for the Chemical Contaminants project in 1987.

Plan of Work

To identify potentially hazardous chemical contaminants in food and prevent these contaminants from presenting a public health hazard in the food supply, in 1987 FDA will:

- Continue examination of raw and processed foods for contamination by materials such as phosphate esters, aromatic and chlorinated solvents, flame retardants, aromatic amines, chlorinated phenols, and organometallics. Emphasis will be on foods of dietary importance, especially infant foods.

- Participate in joint programs with the EPA and other government agencies to develop scientific and technical information on chemical contaminants, including carcinogens, in the human environment and the food chain.

- Continue surveillance of radionuclides in the total diet and imported foods, and for tritium, strontium-90, plutonium-239, and gamma emitters in foods grown near nuclear plants.

- Continue Total Diet Study program to identify levels of chemical contaminants and selected elements in the diets of eight age/sex groups as represented by 234 foods.

- Analyze about 10,050 domestic and imported foods (including fish) for pesticides and PCBs; analyze selected fish for mercury, and milk and egg samples for PCP. Other selected pesticide/commodity combinations will be analyzed as directed by the Surveillance Index or other means.

- Analyze about 300 domestic and imported houseware samples for leachable lead and cadmium.

- Continue studies to improve dioxin and dibenzofuran methodology and analyze selected food samples for these contaminants.

- Continue to investigate feasibility of automating methods of testing for pesticides and industrial chemicals.

- Continue Field efforts to gather information about pesticidal and industrial chemical contaminants. Information on food volume and amounts of pesticides used for both domestic and import programs (where possible) will be collected and residue data reviewed continuously to direct surveillance resources to possible problem areas.

- Continue studies to expand chemical analysis to compounds not determined by current multiresidue methods. Continue efforts to improve the reliability of these analyses.

- Continue the Surveillance Index classification system to determine hazard categories for additional pesticides which may contaminate foods, as a basis for developing additional test methods and increasing surveillance where the relative potential health risk is greatest. Continue planning for surveillance of additional pesticides where indicated by the Index.

- Conduct audit and follow-up inspections on selected pesticide toxicity tests and laboratory reports, to allow EPA evaluation of testing procedures and accuracy.

- Analyze for aflatoxins about 1,000 samples of domestic commodities with a demonstrated potential for aflatoxin contamination (e.g., corn and nuts).

- Analyze for aflatoxins about 400 samples of imported commodities with a demonstrated potential for aflatoxin contamination and 50 samples of commodities with a suspected potential.

- Continue joint efforts with USDA and National Marine Fisheries Service to coordinate research activities on mycotoxins and seafood toxins.

- Continue studies of occurrence, biochemical mode of action, and toxicological properties of mycotoxins known to occur in the food supply, to improve the basis for evaluating the risks resulting from human exposure to mycotoxins.

- Continue acquisition of data on the incidence, levels, and toxicological significance of natural plant toxins.

- Continue to develop analytical procedures for use in the control of marine toxins, specifically the paralytic shellfish poisons and ciguatoxin.

- Continue to study the need to regulate aflatoxins and vomitoxin in consumer products.

- Continue development of sensitive analytical methods for mycotoxins, especially aflatoxins, ochratoxins, and the trichothecenes; collaboratively study such methods when warranted.

COOPERATIVE FOOD PROGRAMS

Increase

No program increase is requested for the Cooperative Food Program project in 1987.

Plan of Work

To promote uniform state and local food protection requirements and to provide training and technical assistance to State and local officials, and to improve the safety of shellfish such as oysters, clams, and mussels, and of milk and its products, in 1987 FDA will:

RETAIL FOOD PROTECTION:

- Promote State and local adoption of model codes covering food service, food vending, and food store sanitation. Provide technical assistance in code interpretation, compliance procedures, and problem solving.

- Promote implementation of FDA-developed records management information system for State regulatory food programs.

- Evaluate national food chains relative to food protection and sanitation.

- Promote industry management training/certification programs which are based on FDA-recommended standards and are reciprocally recognized between regulatory jurisdictions.

- Develop model programs and initiatives to enhance State and local regulatory programs.

- Conduct approximately 640 inspections of food service operations in Federal facilities, and provide training, equipment evaluation, plan review and technical assistance to Federal agency personnel and concessionnaires.

- Conduct comprehensive evaluations of State food regulatory programs on a three-year cycle and perform synoptic evaluations in interim years. Review and analyze local agency evaluations submitted by certified State evaluation officers.

- Provide orientation, field training, and formal evaluation for State officials newly designated for certification as Food Program Evaluation Officers. Conduct field check of performance of State officials currently holding FDA certification.

- Hold regional information exchange/problem solving seminars for top food protection officials of 57 states and territories.

SHELLFISH SANITATION:

- Complete update of Part III of the National Shellfish Sanitation Program (NSSP) Manual of Operations.

- Provide training and technical assistance to the States concerning shellfish safety. Conduct epidemiological and laboratory investigations as appropriate.

- Evaluate effectiveness of State shellfish programs by conducting comprehensive program reviews on a three-year cycle and performing synoptic evaluations in interim years. This includes evaluations of state growing areas and processing plant inspections.

- Maintain existing foreign Memoranda of Understanding (MOUs) regarding importation of shellfish into the U.S., audit foreign shellfish programs, continue to promote new MOUs as appropriate.

- Continue research on the pathogenicity and epidemiology of vibrio species.

- Continue programs with five states to analyze incoming shellfish for microbial contamination.

- Continue laboratory proficiency testing programs with cooperating State and foreign laboratories.

- Investigate rapid analytical methods for indicator organisms to improve methods for the detection of potential pathogenic bacteria and viruses in sea water and shellfish.

- Begin development of a model state ordinance based upon the updated NSSP Manuals of Operations.

- Begin development of training materials and procedures to standardize FDA and state shellfish program officials in updated NSSP Manual requirements.

MILK SAFETY:

- Provide training and technical assistance to State milk sanitation programs based on the recommended Pasteurized Milk Ordinance and related documents. Promote national uniformity by encouraging all States to adopt the Pasteurized Milk Ordinance as their State Law or regulation.

- Administer FDA's program responsibilities under the cooperative Federal-State Interstate Milk Shippers Progam.

- Assist States in the inspection requirements of aseptically processed milk products and other sophisticated processes such as ultrafilteration, reverse osmosis, and computerized dairy operations.

- Conduct new equipment design and prototype reviews as requested by industry and States.

- Provide orientation, field training, and formal evaluation for State officials newly designated for certification as Milk Program Evaluation Officers; and conduct field check of performance of State officials currently holding FDA certification.

- Hold regional seminars to promote uniformity in methodology of Milk Sanitation Rating Officers and State Laboratory Evaluation Officers, and to provide for problem solving and information exchange.

- Conduct intensified check rating in IMS pasteurization plants and incorporate a microbiological surveillance program for finished fluid milk products.

- Conduct regulatory inspections in NON-IMS portions of IMS plants and institute a microbiological surveillance program for finished dairy products.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
FOOD ECONOMICS

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual			64	$2,849,000		
1986 Total Obligations			64	2,887,000		
Section 515 Withholding			—	—		
Reduction Pursuant to PL 99-177 (Sequestered)			—	- 125,000		
1986 Revised Obligations			64	2,762,000		
1986 Appropriation Estimate			64	2,966,000		
General Staffing Reduction			-2	—		
PL 99-190 Reduction (6/10 of 1%)			—	- 17,000		
PL 99-190 Not available for obligation			—	- 62,000		
1986 Current Estimate	64	$2,966,000	62	2,887,000	-3.1%	-2.7%
Built-In changes:						
Personnel related costs			—	30,000		
Operating expenses			—	86,000		
1987 Budget Request	62	2,887,000	62	3,003,000	—	4.0%
(Net Change from 1986 Current Estimate)			(—)	(+116,000)		

FOOD ECONOMICS

SUMMARY OF REQUIREMENTS

Budgetary resources identified with the Food Economics activity are used to minimize the economic risk to the consumer created by foods whose content is not as labeled, foods that do not meet standards, and deviations from the Fair Packaging and Labeling Act (FPLA). This is accomplished through regulatory activities such as establishment inspections and sample examinations. Direct enforcement activities are supplemented by research, establishment of food standards, Federal/state cooperative programs, and consumer education and information programs.

To ensure consumer protection in the area of food economics, FDA is requesting an increase of $116,000 for personnel related and operating expenses, (total requested for 1987, $3,003,000).

Increase

No program increase is requested for the Food Economics project in 1987.

Plan of Work

To ensure fair packaging and labeling, economic honesty and fair dealing, and to prevent adulterated and misbranded products from entering retail markets, in 1987 FDA will:

- Publish eight Codex Alimentarius-related and 15 non-Codex related food standards.

- Continue general programs to identify and take corrective action against imported and domestic food products which violate the FD&C Act, and serious violations of the FPLA.

- Continue review of existing regulations to determine their economic impact and propose repeal or amendment as needed.

- Examine approximately 23,000 lots of imported teas for purity, quality, and fitness for consumption.

- Complete analysis of authentic orange juice samples and continue research on detection of adulteration of other foods using pattern recognition techniques.

- Publish regulatory documents concerning food labeling.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
COSMETICS

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual....................................			56	$2,765,000		
1986 Total Obligations........................			56	2,801,000		
Section 515 Withholding.....................			—	—		
Reduction Pursuant to PL 99-177 (Sequestered)			—	- 120,000		
1986 Revised Obligations......................			56	2,681,000		
1986 Appropriation Estimate...................			56	2,872,000		
General Staffing Reduction..................			-1	—		
PL 99-190 Reduction (6/10 of 1%)............			—	- 17,000		
PL 99-190 Not available for obligation.......			—	- 54,000		
1986 Current Estimate.........................	56	$2,872,000	55	2,801,000	-1.8%	-2.5%
Built-In changes:						
Personnel related costs.....................			—	25,000		
Operating expenses..........................			—	76,000		
1987 Budget Request...........................	55	2,801,000	55	2,902,000	—	3.6%
(Net Change from 1986 Current Estimate).....			(—)	(+101,000)		

COSMETICS

SUMMARY OF REQUIREMENTS

Resources identified with the Cosmetics program are used to promote the safety of cosmetic products. The Food and Drug Administration (FDA) utilizes research, surveillance, regulatory actions and cooperative efforts with industry to minimize the hazards associated with cosmetics. Inspections, follow-up on consumer complaints, laboratory examinations and epidemiological surveys are used to detect potentially harmful ingredients in cosmetic products and to identify those products most often associated with adverse reactions.

To ensure consumer protection in the cosmetics area, FDA is requesting an increase of $101,000 for personnel related and operating expenses, (total requested for 1987, $2,902,000).

Increase

No program increase is requested for the Cosmetics project in 1987.

Plan of Work

To prevent the introduction of adulterated or misbranded cosmetics into interstate commerce, in 1987 the FDA will:

- Conduct inspections of cosmetic manufacturing establishments to ensure that production facilities and products are in compliance with statutory and regulatory requirements.

- Collect samples of domestic and imported cosmetics and examine at least half of these samples for microbial and chemical adulteration and for compliance with labeling requirements.

- Review 150 consumer complaints of cosmetic-related adverse reactions, investigate the more serious complaints, and conduct 30 follow-up analyses of samples associated with adverse reactions.

- Receive and evaluate 11,000 product experience reports under the continuing program of voluntary registration of cosmetic-related adverse reactions.

- Review and edit for data processing 20 cosmetic manufacturing establishment registrations, as well as 2,000 product formulation and 200 raw material composition statements and amendments submitted under the voluntary cosmetic registration program.

- Continue the development of analytical methods to determine the presence of harmful ingredients in cosmetic products.

- Continue studies of the skin penetration and sensitization of cosmetic substances in man or animals with ingredients identified as hazardous through consumer complaints and toxicological studies.

- Continued animal studies of the skin toxicity of selected cosmetic products to establish a data base for considering warning statements on product labels and to determine the acne-producing effects of cosmetic ingredients or products.

- Continue *in vivo* and *in vitro* studies of microbial contamination of cosmetic products when used by consumers to develop and validate laboratory techniques and standards for the prediction of the effectiveness of preservatives.

- Continue ultraviolet light exposure studies to predict the phototoxic effects of topically applied cosmetics in humans.

- Conduct animal studies to determine the relationship between the dose and/or skin penetration potential of topically applied cosmetic allergens and the frequency of elicitation of allergic responses in sensitized animals as a basis for predicting human responses and identifying ingredients having unacceptably high skin sensitization incidences.

- Determine the animal carcinogenicity of nitrosodiethanolamine under conditions of life-time feeding and topical application to elucidate the relationship in systemic toxicity between the two methods of application and assess the human health hazard of a topically applied substance found to be carcinogenic on oral administration.

- Provide consumer and industry guidance and assistance on safety and regulatory issues to enhance consumer awareness and reduce health hazards associated with the use of cosmetics.

- Continue investigation of the nitrosating potential of certain amine compounds and the contamination of cosmetics with them.

- Initiate devlopment of an *in vitro* method distinguishing between allergens and irritants on topical application of cosmetic substances.

FOOD SAFETY
STATUS OF BASE PROGRAMS
FOODBORNE BIOLOGICAL HAZARDS

CURRENT ACTIVITIES

To prevent food that may be hazardous to health because of microbiological contaminants, or otherwise unfit for human consumption because of decomposition or the presence of filth or foreign objects from entering consumer markets and to control communicable disease that might be introduced, transmitted, or spread by the operations of the interstate transportation industry, in 1986 FDA will:

- Perform 8,135 inspections of food manufacturing and storage establishments. Coverage will include comprehensive inspection of high risk foods, low-acid canned foods and acidified canned foods.

- Perform 11,500 inspections through contracts with States. Coverage will be given primarily to bakeries, soft drink bottling plants, food warehouses and whole grain and bean storage elevators.

- Perform approximately 26,500 wharf examinations and 13,630 sample collections of imported products.

- Perform laboratory analyses of about 2,870 samples of domestic and 10,525 samples of imported foods for microbial and filth contamination, foreign objects and decomposition.

- Collect and analyze domestic and import food samples to conduct surveillance testing for presence of pathogenic bacteria.

- Continue the development and collaborative study of improved laboratory analytical methods for the detection of microbial hazards, filth, decomposition, and foreign objects.

- Continue studies to identify pathogenic and toxic factors in foodborne bacteria, viruses, and parasites.

- Establish or update "defect action levels" (DALs) for filth and decomposition in several food commodities.

- Conduct 2,200 inspections of interstate transportation operations including aircraft, buses, trains, and vessels; and of support operations including catering, commissary, watering point, and waste service facilities.

- Continue assessment of the impact of enteric disease on long term health status.

- Continue studies to assess the impact of abnormal nutrient intakes and marginal nutritional deficiencies on the immune system of laboratory animals.

PAST ACCOMPLISHMENTS

During 1985 FDA accomplished the following activities

- Performed 8,200 inspections of food manufacturing and storage establishments. Coverage included comprehensive inspection of high risk foods, low-acid canned foods and acidified canned foods.
- Performed approximately 12,000 inspections through contracts with States. Coverage was given primarily bakeries, soft drink bottling plants, food warehouses and whole grain and bean storage elevators.
- Performed approximately 25,000 wharf examinations and 12,600 sample collections of imported products.
- Performed laboratory analyses of 6,100 samples of domestic and 9,000 samples of imported foods for microbial and filth contamination, foreign objects and decomposition.
- Collected and analyzed domestic and import food samples to conduct surveillance testing for presence of pathogenic bacteria.
- Continued the development and collaborative study of improved laboratory analytical methods for the detection of microbial hazards, filth, decomposition, and foreign objects.
- Continued studies to identify pathogenic and toxic factors in food-borne bacteria, viruses, and parasites.
- Established or updated "defect action levels" (DALs) for filth and decomposition in several food commodities.
- Conducted approximately 2,450 inspections of interstate transportation operations including aircraft, buses, trains, and vessels; and of support operations including catering, commissary, watering point, and waste service facilities.
- Initiated studies to assess the impact of enteric disease on long term health status.
- Initiated studies to assess the impact of abnormal nutrient intakes and marginal nutritional deficiencies on the immune system of laboratory animals.

FOOD ADDITIVES

CURRENT ACTIVITIES

To ensure the safety of ingredients added to food, in 1986 FDA will:

- Continue the safety review of substances classified as Generally Recognized As Safe (GRAS).

- Continue updating Food Additive Safety Profiles on each substance under active consideration by incorporating new toxicological data submitted voluntarily to FDA, new data retrieved via computerized literature searches, and new exposure estimates for additives developed for FDA by the NAS.

- Maintain computerized data base for food additive safety profiles compiled in the Priority-based Assessment of Food Additives (PAFA).

- Continue maintenance of computerized priority lists of compounds active in the PAFA program. Propose alternative means of handling compounds of highest potential public health concern.

- Develop a final rule for food irradiation.

- Continue developing publications resulting from analysis of computerized food additive data contained in safety profiles. On the basis of this work, designate certain "high-concern" additives for development of additional toxicological test data.

- Continue developing procedures whereby new food additive petition processing can utilize standard data submission formats and data summary sheets common to the PAFA project requirements for previously regulated additives.

- Investigate 20 non-clinical laboratories to assure the validity and integrity of biomedical research data submitted in support of food additive petitions.

- Review and act on approximately 75 food additive petitions and 10 GRAS affirmation petitions. Continue to review and act on provisionally listed color additives.

- Continue toxicological methods development particularly in areas of neurobehavioral, mutagenic and immunotoxicological activity.

- Continue analytical methods development for determining the presence and amount of additives in food.

- Review comments received on all published sulfite proposals and draft final rules for labeling and for fresh fruits and vegetables. Also draft a proposal on the use of sulfites on potatoes and in potato products. Draft a reproposal on the general GRAS status of all other uses of sulfiting agents.

- Publish a proposal on the regulations of carcinogenic constituents in food and color additives.

- Publish an Advanced Notice of Proposed Rulemaking for regulating acrylonitrile copolymers used in packaging materials. Publish a proposal on the use of polyvinyl chloride in packaging material.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following activities.

- Continued the safety review of substances classified as Generally Recognized As Safe (GRAS). Literature searches and reviews were completed in 1980, and all FASEB evaluations completed in 1982. In 1983, 140 final orders were issued, 32 in 1984, and 10 in 1985, leaving 133 to be completed.

- Continued updating Food Additive Safety Profiles on each substance under active consideration by incorporating new toxicological data submitted voluntarily to FDA, and also new data retrieved via computerized literature searches.

- Maintained computerized data bases for food additives safety profiles compiled in the Priority-based Assessment of Food Additives (PAFA).

- Continued maintenance of computerized priority lists of compounds active in the PAFA program. Proposed alternative means of handling compounds of highest potential public health concern.

- Continued reviewing comments on proposal for uses of food irradiation and work on final rule.

- Continued developing publications resulting from analysis of computerized food additive data contained in safety profiles. On the basis of this work, designate certain "high-concern" additives for development of additional toxicological test data.

- Continued developing procedures whereby new food additive petition processing can utilize standard data submission formats and data summary sheets common to the PAFA project requirements for previously regulated additives.

- Investigated 8 non-clinical laboratories to assure the validity and integrity of biomedical research data submitted in support of food additive petitions.

- Reviewed and acted on 71 food additive petitions and 57 supplements/amendments. Concluding actions were taken on 70 food additive petitions. Three GRAS affirmation petitions were finalized. Continued to review and act on provisionally listed color additives.

- Continued toxicological methods development particularly in areas of neurobehavioral, mutagenic, and immunotoxicological activity.

- Continued analytical methods development for determining the presence and amount of additives in food.

- Analyzed 193 food samples to determine if excessive levels of antioxidants were present.

- Reviewed and evaluated comments on the proposals for sulfiting agents and developed new proposals.

- Reviewed and evaluated 65 comments received on the Advance Notice of Proposed Rulemaking dealing with the regulations of carcinogenic constituents in food and color additives and developed a proposal.

- Developed a proposal for the use of polyvinyl chloride polymers in packaging materials.

NUTRITION

CURRENT ACTIVITIES

To maintain and improve the nutritional quality of the food supply and to encourage the use of sound nutrition principles and labeling in the prevention and dietary management of disease, in 1986 FDA will:

- Continue studies on nutrient toxicity and nutrient interactions and research on the health effects of long-term consumption of high levels of dietary supplementation in man; focus on in-depth study of vitamins A and D.

- Continue studies on macro-nutrients in foods, including lipid metabolism and development of a methodology for measuring and evaluating the health implications of oxidation products of cholesterol and trans-fatty acids.

- Conduct Total Diet Study analyses of 11 nutrients in single foods, based on diets for eight age/sex groups.

- Continue to monitor nutritional quality and compliance with nutrient labeling regulations by analyzing about 335 domestic and imported food samples and infant formula samples.

- Continue evaluation of more rapid and cost effective methodology for nutrient analysis, with specific emphasis on ion chromatographic methods for separation and determination of iodine, fluorine and bromine.

- Complete study of nutrient analysis of milk-based ready-to-feed formulas and initiate study of soy-based formula.

- Continue state-of-the-art reviews of human nutrition problem areas, including reviews of pediatric and medical foods.

- Continue research on the integration of data on health status and food consumption data, and develop methods for efficient use of food consumption data bases in establishing food fortification policy, completing efforts on vitamin A, and continuing analysis of NHANES III study design, and analysis of calcium-hypertension data.

- Conduct product and labeling studies of the food supply to monitor nutrition and other labeling practices.

- Publish proposed rule and draft final rule defining low cholesterol and reduced cholestrol foods.

- Continue efforts to monitor the sodium content of the food supply and the extent of sodium content labeling.

- Complete analysis of data on iron absorption and utilization, and efforts to determine bioavailability of various iron compounds.

- Continue laboratory investigation of proteinase inhibitors in cooperation with USDA.

- Continue evaluation of the safety and efficacy of specialized (medical) foods that may be used to prevent, ameliorate, or cure disease conditions, with initial focus on those foods that may delay the progress of end-stage renal disease.

- Expand cooperative efforts with two grocery chains on in-store nutrition labeling programs.

- Cooperate with the National Center for Health Statistics to update the national vitamin-mineral supplement survey.

- Publish notice of intent to review, and consider revisions to, current nutrition labeling regulations.

- Publish notice of proposed rulemaking relative to public health messages on food labeling.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Continued research on nutrient toxicity and nutrient interactions, including the study of the health effects of long-term consumption of high levels of dietary supplementation in man.

- Continued studies on macro-nutrients in foods, including lipid metabolism and development of a methodology for measuring and evaluating the health implications of oxidation products of cholesterol and trans-fatty acids.

- Conducted the annual Total Diet Study analyses of 11 nutrients in single foods, based on diets for eight age/sex groups.

- Continued to monitor nutritional quality and compliance with nutrient labeling regulations by analyzing 350 domestic and imported food samples and infant formula samples.

- Continued evaluation of more rapid and cost effective methodology for nutrient analysis, with specific emphasis on ion chromatographic methods for separation and determination of iodine, fluorine and bromine.

- Continued reviews of the nutrient requirements of infants for the purpose of updating infant formula regulations. Continued study on nutrient analysis methods for milk-based ready-to-feed infant formulas

- Conducted state-of-the-art reviews of human nutrition problem areas, including reviews of pediatric and medical foods.

- Continued research on the integration of data on health status and food consumption data, and develop methods for efficient use of food consumption data bases in establishing food fortification policy and completed efforts focused on iron, zinc, and folacin.

- Continued analysis of possible revisions to food labels. Conducted product and labeling studies of the food supply to monitor nutrition and other labeling practices.

- Continued work on proposed rule defining low cholesterol and reduced cholestrol foods.

- Continued efforts to monitor the sodium content of the food supply and the extent of sodium content labeling.

- Continued analysis of data on iron absorption and utilization, and efforts to determine bioavailability of various iron compounds.

- Continued laboratory investigation of proteinase inhibitors in cooperation with USDA.

- Continued evaluation of the safety and efficacy of specialized (medical) foods that may be used to prevent, ameliorate, or cure disease conditions, with initial focus on those foods that may delay the progress of end-stage renal disease.

CHEMICAL CONTAMINANTS

CURRENT ACTIVITIES

To identify potentially hazardous chemical contaminants in food and prevent chemical contaminants from presenting a public health hazard in the food supply, in 1986 FDA will

- Continue examination of raw and processed foods for contamination by materials such as phosphate esters, chlorinated solvents, flame retardants, chlorinated phenols, and organometallics. Emphasis will be on foods of dietary importance, especially infant foods.

- Participate in joint programs with EPA and other government agencies to develop scientific and technical information on chemical contaminants, including carcinogens, in the human environment and the food chain.

- Continue surveillance for radionuclides in the total diet, and for tritium, strontium-90, plutonium-239 and gamma emitters in foods grown near nuclear plants.

- Continue Total Diet Study program to identify levels of chemical contaminants and selected elements in the diets of eight age/sex groups as represented by 234 foods.

- Analyze about 10,050 domestic and imported foods samples (including fish) for pesticides and PCBs, analyze selected fish for mercury and for the early-eluting class of chlorinated chemicals. Milk and egg samples will be analyzed for early-eluting compounds and PCP. Grain and other samples will be analyzed for fumigants, and other selected pesticide/commodity combinations will be analyzed as directed by the Surveillance Index or other means.

- Analyze about 290 domestic and imported houseware samples for leachable lead and cadmium.

- Continue studies to improve dioxin and dibenzofuran methodology and analyze selected food samples for these contaminants.

- Continue to investigate feasibility of automating methods of testing for pesticides and industrial chemicals.

- Continue Field efforts to gather information about pesticidal and industrial chemical contaminants. Information on food volume and amounts of pesticides used for both domestic and import programs (where possible) will be collected and residue data reviewed continuously to direct surveillance resources to possible problem areas.

- Continue studies to expand chemical analysis to compounds not determined by current multiresidue methods. Continue efforts to improve the reliability of these analyses.

- Continue the Surveillance Index classification system to determine hazard categories for additional pesticides which may contaminate foods, as a basis for developing additional test methods and increasing surveillance where the relative potential health risk is greatest. Continue planning for surveillance of additional pesticides where indicated by the Index.

- Conduct audit and follow-up inspections on selected pesticide toxicity tests and laboratory reports, to allow EPA evaluation of testing procedures and accuracy.

- Analyze for aflatoxins about 960 samples of domestic commodities with a demonstrated potential for aflatoxin contamination (e.g., corn and nuts).

- Analyze for aflatoxins about 385 samples of imported commodities with a demonstrated potential for aflatoxin contamination and 50 samples of commodities with a suspected potential.

- Continue joint efforts with USDA and National Marine Fisheries Service to coordinate research activities on mycotoxins and seafood toxins.

- Continue studies of occurrence of biochemical mode of action and toxicological properties of mycotoxins known to occur in the food supply, to improve the basis for evaluating the risks resulting from human exposure to mycotoxins.

- Continue acquisition of data on the incidence, levels, and toxicological significance of natural plant toxins.

- Continue to develop analytical procedures for use in the control of marine toxins, specifically the paralytic shellfish poisons and ciguatoxin.

- Continue to study the need to regulate aflatoxins and vomitoxin in consumer products.

- Continue development of sensitive analytical methods for mycotoxins, especially aflatoxins, ochratoxins, and the trichothecenes; collaboratively study such methods when warranted.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following activities:

- Continued examination of fish and other foods for contamination by materials such as phosphate esters, chlorinated solvents, halogenated flame retardants, chlorinated phenols and organometallics.

- Participated in joint programs with EPA and other government agencies to develop scientific and technical information on chemical contaminants, including carcinogens, in the human environment and the food chain.

- Continued surveillance of radionuclides in the total diet, and for tritium, strontium-90, plutonium-239 and gamma emitters in foods grown near nuclear plants.

- Continued Total Diet Study program to identify levels of chemical contaminants and selected elements in the diets of eight age/sex groups as represented by 234 foods.

- Analyzed about 10,500 domestic and imported food samples (including fish) for pesticides and PCBs, analyzed selected fish for mercury and for early-eluting class of chlorinated chemicals. Milk and egg samples were analyzed for early-eluting compounds and PCP, selected grain samples for fumigants, and other selected pesticide/commodity combinations as directed by the Surveillance Index.

- Analyzed about 190 domestic and imported houseware samples for leachable lead and cadmium.

- Completed the processed foods survey to identify the levels of lead and cadmium in processed foods consumed by adults and young children.

- Continued studies to improve dioxin and dibenzofuran methodology and analyzed selected food samples for these contaminants.

- Continued to investigate feasibility of automating methods of testing for pesticides and industrial chemicals.

- Continued Field efforts to gather information about pesticidal and industrial chemical contaminants. Information on food volume and amounts of pesticides used for both domestic and import programs (where possible) were collected and testing results reviewed continuously to improve the direction of surveillance resources to problem areas.

- Continued studies to expand chemical analysis to compounds not determined by current multiresidue methods.

- Continued the Surveillance Index classification system to determine hazard categories for additional pesticides which may contaminate foods, as a basis for developing additional test methods and increasing surveillance where the relative potential health risk is greatest. Continued planning for surveillance of additional pesticides where indicated by the Index.

- Conducted audits and follow-up inspections on selected pesticide toxicity tests and laboratory reports, to allow EPA evaluation of testing procedures and accuracy.

- Analyzed for aflatoxins about 840 samples of domestic commodities with a demonstrated potential for aflatoxin contamination (e.g., corn and nuts).

- Analyzed for aflatoxins about 320 samples of imported commodities with a demonstrated or suspected potential for aflatoxin contamination.

- Continued joint efforts with USDA and National Marine Fisheries Service to coordinate research activities on mycotoxins and seafood toxins.

- Continued studies of occurrence of biochemical mode of action and toxicological properties of mycotoxins known to occur in the food supply, to improve the basis for evaluating the risks resulting from human exposure to mycotoxins.

- Continued acquisition of data on the incidence, levels, and toxicological significance of natural plant toxins.

- Continued efforts to develop analytical procedures for use in the control of toxins affecting marine resources, specifically the paralytic shellfish poisons and ciguatoxins.

- Continued to study the need to regulate aflatoxins and vomitoxin in consumer products.

- Continued development of sensitive analytical methods for mycotoxins, especially aflatoxins, ochratoxins, and the trichothecenes; collaboratively studied such methods when warranted.

COOPERATIVE FOOD PROGRAMS

CURRENT ACTIVITIES

To promote uniform state and local food protection requirements and to provide training and technical assistance to State and local officials, and to improve the safety of shellfish such as oysters, clams, and mussels, and of milk and its products, in 1986 FDA will:

RETAIL FOOD PROTECTION

- Promote State and local adoption of model codes covering food service, food vending, and food store sanitation. Provide technical assistance in code interpretation, compliance procedures, and problem solving. Promote implementation of FDA-developed records management information system for State regulatory food programs.

- Evaluate national food chains relative to food protection and sanitation.

- Promote industry/management training/certification programs which are based on FDA-recommended standards and are reciprocally recognized between regulatory jurisdictions.

- Develop model programs and initiatives to enhance State and local regulatory programs.

- Conduct approximately 770 inspections of food service operations in Federal facilities, and provide training, equipment evaluation, plan review and technical assistance to Federal agency personnel and concessionnaires.

- Conduct comprehensive evaluations of State food regulatory programs on a three-year cycle and perform synoptic evaluations in interim years. Review and analyze local agency evaluations submitted by certified State evaluation officers.

- Provide orientation, field training, and formal evaluation for State officials newly designated for certification as Food Program Evaluation Officers. Conduct field check of performance of State officials currently holding FDA certification.

- Hold required information exchange/problem solving seminars for top food protection officials of 57 states and territories.

SHELLFISH SANITATION

- Complete update of Part II of the NSSP Manual of Operations.
- Provide training and technical assistance to the States concerning shellfish safety. Conduct epidemiological and laboratory investigations as appropriate.
- Evaluate effectiveness of State shellfish programs by conducting comprehensive program evaluations on a three-year cycle, and conducting a representative number of State growing area evaluations, patrol reviews, and processing plant inspections.
- Maintain existing foreign Memoranda of Understanding (MOUs), audit foreign shellfish programs, and promote new MOUs as appropriate.
- Continue research on the pathogenicity and epidemiology of vibrio species.
- Continue shellfish receiver agency programs with five states.
- Continue laboratory proficiency testing programs with cooperating State and foreign laboratories.
- Investigate rapid analytical methods for indicator organisms and improve methods for the detection of potential pathogenic bacteria and viruses in sea water and shellfish.
- Complete studies to investigate procedures for tagging and record-keeping of shellfish.

MILK SAFETY:

- Provide training and technical assistance to State milk sanitation programs based on the recommended Pasteurized Milk Ordinance and related documents.
- Promote national uniformity by encouraging all States to adopt the Pasteurized Milk Ordinance as their State Law or regulation.
- Administer FDA's program responsibilities under the cooperative Federal-State Interstate Milk Shippers Progam.
- Assist States in the inspection requirements of aseptically processed milk products.
- Conduct new equipment design and prototype reviews as requested by industry and States.

- Provide orientation, field training, and formal evaluation for state officials newly designated for certification as Milk Program Evaluation Officers; and conduct field check of performance of state officials currently holding FDA certification.
- Hold regional seminars to promote uniformity in methodology of Milk Sanitation Rating Officers and State Laboratory Evaluation Officers, and to provide for problem solving and information exchange.
- Conduct intensified check rating in IMS pasteurization plants and incorporate a microbiological surveillance program for finished fluid milk products.
- Conduct regulatory inspections in NON-IMS portions of IMS plants and institute a microbiological surveillance program for finished dairy products.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

RETAIL FOOD PROTECTION:

- Promoted State and local adoption of model ordinances covering food service, food vending, and food store sanitation. Provided technical assistance in ordinance interpretation, compliance procedures, and problem solving. Promoted implementation of FDA-developed records management information system for state regulatory food programs.
- Evaluated national food chains relative to food protection and sanitation.
- Promoted industry management training/certification programs which are based on FDA-recommended standards and are reciprocally recognized between regulatory jurisdictions.
- Developed model programs and initiatives to enhance State and local regulatory programs.
- Conducted 710 inspections of food service operations in Federal facilities, and provided training, equipment evaluation, plan review and technical assistance to Federal agency personnel and concessionnaires.
- Conducted comprehensive evaluations of State food regulatory programs on a three-year cycle. Reviewed and analyzed local agency evaluations submitted by certified State evaluation officers.
- Provided orientation, field training, and formal evaluation for state officials newly designated for certification as Food Program Evaluation Officers.

- Held regional information exchange/problem solving seminars for top food protection officials of 57 states and territories.

SHELLFISH SANITATION:

- Completed update of Part I and continued updates of Parts II and III of the NSSP Manual of Operations.

- Provided training and technical assistance to the States concerning shellfish safety.

- Continued evaluations of State shellfish programs.

- Maintained existing foreign Memoranda of Understanding (MOUs), audited foreign shellfish programs, and promoted new MOUs as appropriate.

- Continued research to determine the pathogenicity and epidemiology of vibrio cholera.

- Continued shellfish receiver agency programs with five states.

- Continued laboratory proficiency testing programs with cooperating State and foreign laboratories.

- Investigated rapid analytical methods for indicator organisms to improve methods for the detection of potential pathogenic bacteria and viruses in sea water and shellfish.

- Continued studies to investigate procedures for tagging and record-keeping of shellfish.

MILK SAFETY.

- Provided training and technical assistance to State milk sanitation programs based on the recommended Pasteurized Milk Ordinance and related documents.

- Promoted national uniformity by encouraging all States to adopt the Pasteurized Milk Ordinance as their state law or regulation.

- Administered FDA's program responsibilities under the cooperative Federal-State Interstate Milk Shippers Program.

- Assisted States in the inspection requirements of aseptically processed milk products.

- Conducted new equipment design and prototype reviews as requested by industry and States.

- Provided orientation, field training, and formal evaluation for state officials newly designated for certification as Milk Program Evaluation Officers; and conduct field check of performance of state officials currently holding FDA certification.

- Held regional seminars to promote uniformity in methodology of Milk Sanitation Rating Officers and State Laboratory Evaluation Officers, and to provide for problem solving and information exchange.

- Conducted comprehensive evaluations of State milk programs on a three-year cycle and perform synoptic evaluations of state milk programs during interim years.

FOOD ECONOMICS

STATUS OF BASE PROGRAMS

CURRENT ACTIVITIES

To ensure fair packaging and labeling, economic honesty and fair dealing, and to prevent adulterated and misbranded products from entering retail markets, in 1986 FDA will:

- Publish eight Codex Alimentarius-related and 19 non-Codex related food standards actions.

- Continue general programs to identify and take corrective action against imported and domestic food products which violate the FD&C Act, and serious violations of the FPLA.

- Continue review of existing regulations to determine their economic impact and propose repeal or amendment as needed.

- Examine approximately 22,000 lots of imported tea for purity, quality, and fitness for consumption.

- Continue analysis of authentic orange juice samples and the application of pattern recognition techniques in order to improve the Agency's ability to detect economic adulteration of orange juice products and other foods.

- Publish regulatory documents concerning food labeling.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Published 14 Codex Alimentarius-related and 27 non-Codex related food standards actions.

- Continued general programs to identify and take corrective action against imported and domestic food products which violate the FD&C Act, and serious violations of the FPLA.

- Continued review of existing regulations to determine their economic impact and propose repeal or amendment as needed.

- Examined approximately 21,140 lots of imported tea for purity, quality, and fitness for consumption.

- Continued research to evaluate pattern recognition techniques in assessing economic adulteration of orange juice products.

- Published regulatory documents concerning food labeling.

COSMETICS

STATUS OF BASE PROGRAMS

CURRENT ACTIVITIES

To prevent the introduction of adulterated or misbranded cosmetics into interstate commerce, in 1986 the FDA will:

- Conduct inspections of cosmetic manufacturing establishments to ensure that production facilities and products are in compliance with statutory and regulatory requirements.

- Collect samples of domestic and imported cosmetics and examine at least half of these samples for microbial and chemical adulteration and for compliance with labeling requirements.

- Review 150 consumer complaints of cosmetic-related adverse reactions, investigate the more serious complaints, and conduct 30 follow-up analyses of samples associated with adverse reactions.

- Receive and evaluate 11,000 product experience reports under the continuing program of voluntary registration of cosmetic-related adverse reactions.

- Review and edit for data processing 20 cosmetic manufacturing establishment registrations, as well as 2,100 product formulation and 200 raw material composition statements and amendments submitted under the voluntary cosmetic registration program.

- Continue the development of analytical methods to determine the presence of harmful ingredients in cosmetic products.

- Continue studies of the skin penetration and sensitization of cosmetic substances in man or animals with ingredients identified as hazardous through consumer complaints and toxicological studies.

- Continued animal studies of the skin toxicity of selected cosmetic products to establish a data base for considering warning statements on product labels and to determine the acne-producing effects of cosmetic ingredients or products.

- Conduct in vivo and in vitro studies of microbial contamination of cosmetic products when used by consumers to develop and validate laboratory techniques and standards for the prediction of the effectiveness of preservatives.

- Continue ultraviolet light exposure studies to predict the phototoxic effects of topically applied cosmetics in humans.

- Initiate animal studies to determine the relationship between the dose and/or skin penetration potential of topically applied cosmetic allergens and the frequency of elicitation of allergic responses as a basis for predicting human responses and identifying ingredients having unacceptably high skin sensitization incidences.

- Provide consumer and industry guidance and assistance on safety and regulatory issues to enhance consumer awareness and reduce health hazards associated with the use of cosmetics.

- Continue to investigation of the nitrosating potential of certain cosmetic amine compounds and the contamination of cosmetics with them.

PAST ACCOMPLISHMENTS

In 1985, FDA accomplished the following activities:

- Conducted 175 comprehensive and 164 abbreviated inspections of cosmetic manufacturing establishments to ensure that production facilities and products are in compliance with statutory and regulatory requirements.

- Collected samples of 300 domestic and 850 imported cosmetics and examined 190 domestic and 170 imported samples for microbial and chemical adulteration and for compliance with labeling requirements.

- Reviewed 148 consumer complaints of cosmetic-related adverse reactions, investigated the more serious complaints, and conducted 15 follow-up analyses of samples associated with adverse reactions.

- Received and evaluated 11,000 product experience reports under the continuing program of voluntary registration of cosmetic-related adverse reactions.

- Reviewed and edited for data processing 35 cosmetic manufacturing establishment registrations, as well as 2,446 product formulation and 435 raw material composition statements and amendments submitted under the voluntary cosmetic registration program.

- Continued the development of analytical methods to determine the presence of harmful ingredients in cosmetic products.

- Continued studies of the skin penetration and sensitization of cosmetic substances in man or animals with ingredients identified as hazardous through consumer complaints and toxicological studies.

- Continued animal studies of the skin toxicity of selected cosmetic products to establish a data base for considering warning statements on product labels and to determine the acne-producing effects of cosmetic ingredients or products.

- Continued in vivo and in vitro studies of microbial contamination of cosmetic products when used by consumers to develop and validate laboratory techniques and standards for the prediction of the effectiveness of preservatives.

- Continued ultraviolet light exposure studies to predict the phototoxic effects of topically applied cosmetics in humans.

- Provided consumer and industry guidance and assistance on safety and regulatory issues to enhance consumer awareness and reduce health hazards associated with the use of cosmetics.

- Initiated investigation of the nitrosating potential of certain cosmetic amine compounds and the contamination of cosmetics with them.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
HUMAN DRUGS AND BIOLOGICS

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual			2,446	$130,996,000		
1986 Total Obligations			2,471	135,464,000		
Section 515 Withholding			—	—		
Reduction Pursuant to PL 99-177 (Sequestered)			---	- 5,825,000		
1986 Revised Obligations			2,471	129,639,000		
1986 Appropriation Estimate			2,471	138,629,000		
General Staffing Reduction			-69	—		
PL 99-190 Reduction (6/10 of 1%)			---	- 820,000		
PL 99-190 Not available for obligation			---	- 2,345,000		
1986 Current Estimate	2,471	$138,629,000	2,402	135,464,000	-2.8%	-2.3%
Built-In changes:						
Personnel related costs			---	1,249,000		
Operating expenses			—	3,267,000		
Program Changes:						
Reallocation to New Drug Evaluation (NDE) 1/			+ 40	2,000,000		
Reduction in other Huamn Drug and Biologics projects			- 11	- 550,000		
Program Increase (NDE)			---	14,400,000		
1987 Total Obligations	2,402	135,464,000	2,431	155,830,000	1.2%	15.0%
User Charge Collections			---	-25,800,000		
1987 Budget Request	2,431	155,830,000	2,431	130,030,000	---	-16.6%
(Net Change from 1986 Current Estimate)			(+29)	(-5,434,000)		

1/ FDA is requesting an increase of 40 FTEs and $2.0 million for the New Drug Evaluation project in the Human Drugs and Biologics activity. This increase is offset by an across-the-board reduction in FDA activities.

HUMAN DRUGS AND BIOLOGICS

SUMMARY OF REQUIREMENTS

The Food and Drug Administration (FDA) has responsibility for the regulation of the safety, efficacy and labeling of drugs and biologics intended for human use. This responsibility is met through the review of studies of investigational drugs, pre-market approval of new drugs and biologics, inspection of manufacturers, and sample examinations, as well as recalls, seizures, prosecutions and injunctions when appropriate. FDA monitors the continuing safety and efficacy of drugs and biologics through the review of scientific and medical literature as well as through programs to collect information on potential or confirmed problems from manufacturers and the medical community. All of these activities are supplemented by research conducted or supported by FDA.

To ensure adequate consumer protection in the area of human drugs and biologics, FDA is requesting an increase of $4,516,000 for personnel related and operating expenses, and a program increase of $15,950,000 of which $1,450,000 will be reallocated from other activities within FDA and of which $14 million will be derived from product approval charges (total requested for 1987, $155,830,000).

NEW DRUG EVALUATION

Increase

The first goal of the FDA Action Plan, released in July of 1985, is to improve the process by which new drug applications are reviewed. A top priority in 1987 will be to accelerate the new drug approval process while still assuring the safety and efficacy of new products. Revisions in the regulations regarding New Drug Applications (NDAs), as well as other management initiatives taken by the Agency, are expected to result in significant reductions in review time, which has been averaging about 24 months for all NDAs. The Agency is encouraged by the fact that 30 drugs that were new chemical entities were approved in calendar 1985, a new record. However, further efforts are essential if the Agency is to continue to reduce the review time for all NDAs. Therefore, in 1987, FDA will reallocate 40 staffyears to the new drug evaluation process, and is also requesting a funding increase for this program of $14 million. These combined resources will be used to expand medical and scientific review staffs, improve management systems, and increase the Agency's capacity to utilize outside support for these processes.

Need for Increase

The additional resources will be used to implement a number of initiatives that seek to improve the quality and timeliness of the review of new drug and antibiotic applications and certain supplemental applications. Among these initiatives, funds are needed to provide for training for reviewers, as well as for increasing the use of outside expertise. Technology-related improvements would include additional data processing equipment (including personal computers for reviewers) to further reduce reliance on the outmoded, paper-based drug review process, support contracts for paperwork processing and information system design and management, and additional drug experience support to new drug review.

A clinical pharmacology traineeship program will be initiated. To facilitate review of increasingly complex new drug applications, use of advisory committees and consultants will be increased. An FDA fellowship program will be established to draw upon the expertise of top-rated scientists currently affiliated with academic institutions. In addition, because FDA laboratory space is very limited, to further increase scientific input into the review process, funds will be used for agreements with extramural institutions, including cooperative projects with FDA staff engaging in research on a part-time basis.

The number and physical bulk of submissions has long caused substantial document control problems which are exacerbated by their extensive journey through multiple reviewers and processing steps. To assure more expeditious initial processing and the capability to immediately locate a specific document at any time during review, contracts will be awarded to provide for document handling and automation of locator data on IND and NDA submissions. Additional contract areas will include data input, verification, and retrieval and systems design and management of the existing drug review information systems. These actions will eventually allow reassignment of certain staff into areas more closely related to scientific review and decisionmaking.

Lastly, although substantial advances in numbers of new molecular entities approved and reductions in length of time required for FDA review have been made in the past, the increasing complexity of drug submissions, combined with continuing endeavors to ensure safety to the consumer, indicate that such progress will not continue without increased resources. Although more approvals continue to be made in some years, backlogs of unreviewed submissions continue. Experimental program development to investigate alternatives to current methods of processing and review must be continued. Among projects being considered are several which seek to change the nature of some of the paper processing in drug application review. It is possible that alternate forms of submissions, such as electronic data formats would ease problems of storage and processing as well as aid in review.

In addition to taking these steps to improve the current process for reviewing and acting on new drug applications, the Agency also believes that involvement of an outside party might further contribute to the process. Therefore, the Agency will explore with the Institute of Medicine (IOM) areas in which the IOM, or other appropriate outside groups, might be able to support the Agency's efforts; possible roles include analysis of specific scientific problems by forming expert review groups or analyses of more global issues.

Plan of Work

To ensure that adequate evidence has been presented to demonstrate that new drugs and proposed new uses of approved drugs are safe, effective and properly labeled, in 1987 FDA will:

- Review 1,990 Investigational New Drug Applications (IND), 165 New Drug Applications (NDA), and 2,980 NDA Supplements, and hold about 50 meetings with the standing advisory committees. The following table shows the IND, NDA and NDA Supplement workload for 1983-1987:

DRUG APPLICATION SUMMARY

INDs	1983	1984	1985	(Est.) 1986	(Est.) 1987
Number Received	1,605	1,940	1,987	1,990	1,990
Reviews/Actions	2,282	2,612	2,683	2,680	3,000
Number in review status over 60 days - end of fiscal year	51	119	156	160	140
Number active - end of fiscal year	7,881	9,001	10,020	10,020	10,020
NDAs					
Original Applications Received	256	248	166 1/	165	165
Original and Resub.	502	442	325 2/	—	—
Total Actions	323	417	380	380	420
Number Awaiting Action over Statutory Time Limit - end of fiscal year	119	144	150	150	130
Total Number Approved	115	116	92	90	90
NDA Supplements					
Total Number Received: Original and Resub.	3,241	3,678	2,977	2,980	2,980
Total actions	2,900	3,967	3,923	3,920	4,390
Number Awaiting Action - end of fiscal year	2,598	3,131	2,215	2,215	1,950
Number Awaiting Action over 180 days - end of fiscal year	1,632	1,603	1,316	1,315	1,160
Supplements Approved	1,364	1,682	2,118	2,120	2,300

1/ The number of original NDAs received reported in 1985 is less than in preceding years because "Paper NDAs" were transferred from New Drug Evaluation to Generic Drug Evaluation as a result of the Drug Price Competition and Patent Term Restoration Act of 1984.

2/ Workload indicators have been changed to better reflect submissions received and review procedures. Following implementation of revised regulations there were generally no resubmissions and very few paper NDAs. In addition, many types of supplements were eliminated; however, as none that required extensive review was eliminated, savings were primarily in paper processing areas.

- Continue to improve the new drug review process for human drugs while improving quality of the reviews.
  - Continue to implement revised IND and NDA regulations to improve the efficiency of the review and approval process and to refine policies to reflect current practices.
  - Continue programs to increase the use of outside expert reviewers and consultants for drug review.
  - Continue development, evaluation, and implementation of experimental programs for conducting NDA reviews.
  - Initiate program of laboratory support at extramural sites.
  - Upgrade automated data systems in support of new drug review.

- Continue operation of the "priority review" system. In this system the priority for initiation and pursuance of review is influenced by an FDA-assigned classification based on the drug's chemical type and FDA's prediction of its potential therapeutic benefits. Applications for drugs which are rated as important or modest therapeutic gains are then taken out of turn, i.e., assigned a higher priority for entering the evaluation process than simply the date order of receipt. Once into the process, the nature of the review given a new drug predicted to offer an important or modest therapeutic gain and one offering little or no gain does not differ. Related activities in 1987 will include:
  - Assigning classifications to all new and investigational drug applications according to chemical type and therapeutic potential, and identifying those classified as new molecular entities and those offering therapeutic gains to ensure their expeditious evaluation.
  - Obtaining advice from expert advisory committees about new drugs under clinical study that FDA believes may represent potentially important or modest therapeutic gains.
  - Holding conferences with sponsors of commercial INDs at appropriate points in their development to ensure that findings justify proceeding to further stages of development and to assess whether findings justify preparing an NDA.
  - Continuing to accept pre-NDA submission of manufacturing and controls information for new molecular entities representing important or modest therapeutic advances to further expedite reviews.

- Conduct validation studies of about 100 methods of analysis submitted by drug manufacturers for approvable new drugs.

- Review amendments and periodic reports to active INDs.

- Review mandatory reports on NDAs and withdraw NDA approval from applicants who fail to submit required reports.

- Refine existing medical, statistical, pharmacological, chemical, and microbiological guidelines for the submission of INDs and NDAs to reflect current practice.

- Develop, through intramural research, in vitro and in vivo methods for indicating drug toxicity and conduct studies of specialized, limited toxicity problems.

- Review submissions from radioactive drugs research committees and monitor their activities through review of meeting minutes, research study protocols, and on-site inspections.

- Evaluate INDs and NDAs for possible drug abuse potential.

- Collaborate with the National Institute on Drug Abuse to determine the amounts of those drug substances required to meet the medical needs for Schedule I and II drugs under the Controlled Substances Act, recommend control of additional drugs with abuse potential, and provide reports on these determinations to the Drug Enforcement Agency.

- Consult the National Institute on Drug Abuse on the development of possible alternative drugs for narcotic addiction treatment.

- Develop and publish guidelines for industry's use in completing the manufacturing and controls portions of new drug, antibiotic, and insulin applications.

- Provide quarterly reports to exchange information with approximately 25 foreign countries, including information on such subjects as new drug approvals, new guidelines, and proposed and final regulations.

- Prepare and issue Summary Basis of Approval documents on important drugs, describing to the public and medical/scientific community the key data on which approval was based.

ORPHAN DRUGS

This program includes all FDA activities related to orphan products development. FDA defines orphan products as drugs, devices, biologicals, and medical foods which, despite potential usefulness, remain inadequately tested and/or unavailable to patients because of limited commercial interest. Such products can be useful in uncommon conditions or they may be applicable to common conditions, but patent status or marketing projections discourage extensive research investment by industry. The program includes, but is not limited to actions to implement the Orphan Drug Act Amendments to the Federal Food, Drug, and Cosmetic Act.

Increase

No program increase is requested for the Orphan Drugs project in 1987.

Plan of Work

To encourage the development, testing, and marketing of drugs and other products of potential value in rare diseases, or which may otherwise be of limited commercial value, in 1987 FDA will:

- Continue extramural research and evaluation on the safety and/or efficacy of potential orphan products through a program of grants or contracts totaling about $3,000,000.
- Continue activities associated with FDA's responsibility and authority to implement the Orphan Drug Act.
- Provide administrative support and participate in the efforts of the Orphan Products Board including the National Information Center for Orphan Drugs and Rare Diseases (NICODARD).
- Participate in the efforts of the Pharmaceutical Manufacturers Association's Commission on Drugs for Rare Diseases, and the Generic Pharmaceutical Industry Association's Institute for Orphan Drugs.
- Utilize information from completion of a contracted study on use of approved drugs for nonapproved neonatal indications.
- Participate in meetings to advise and/or assist investigators, sponsors, and manufacturers on the Orphan Drug Act, and preclinical and clinical studies needed for approval of marketing applications.
- Review requests for orphan drug designation and evaluate exclusive approval status.
- Maintain Agency-wide orphan product identification network.
- Continue intramural research including animal studies to resolve safety/toxicity questions on promising orphan products.

DRUG QUALITY ASSURANCE

Increase

No program increase is requested in the Drug Quality Assurance project in 1987.

Plan of Work

To monitor the quality of drugs marketed in the United States, to identify and remove from the market those drugs not meeting established specifications or not produced in compliance with the requirements of the Current Good Manufacturing Practice (CGMP) regulations, and to maintain current listings of drugs marketed in the United States and establishments which engage in the manufacture, preparation, compounding, and propagation of drug products, in 1987 FDA will:

- Conduct about 4,000 inspections of human drug establishments, including 3,500 drug process inspections, to assure compliance with revised CGMP regulations and other standards related to drug quality assurance.

- Collect about 3,000 samples of imported drug products for compliance with quality standards, labeling, and drug listing requirements.

- Collect about 9,000 samples of commercially produced drugs and analyze about 7,000 samples for compliance with appropriate quality standards, including about 50 surveys of drug categories with the greatest therapeutic significance.

- Receive and evaluate approximately 4,750 drug product problem reports to identify problems with specific drug entities or firms, ascertain new trends or problems involved with manufacturing drugs and follow up on specific reports for potential public health hazards and for regulatory actions.

- Continue the Drug Shortage Monitoring Program in cooperation with the American Society of Hospital Pharmacists.

- Take appropriate legal actions based upon inspections and related product sample examinations.

- Continue participation in the Government-Wide Quality Assurance Program and respond to approximately 7,000 requests for evaluations of the ability of designated drug establishments to manufacture drugs in compliance with regulatory requirements of FDA and certain non-regulatory, contractual requirements of the purchasing agencies.

- Improve laboratory methods of analysis needed to assure the quality of specific drug entities.

- Update existing quality assurance profiles and develop new profiles to provide current information on operating conditions and regulatory status of drug establishments.

- Register about 13,500 drug establishments annually and update the listing of 18,000 drug products.

- Publish semi-annual supplements to the 1985 National Drug Code Directory.

GENERIC DRUG STANDARDS

Increase

No program increase is requested for the Generic Drug Standards project in 1987.

Plan of Work

To improve the quality of public standards for human drugs published in official compendia, United States Pharmacopeia (USP) and National Formulary, (NF) and increase the effectiveness of FDA's participation in the public standard developmental process, in 1987 FDA will:

- Maintain the Compendial Monographs Evaluation and Development (CMED) program to review and evaluate about 40 selected drug substances and their related dosage forms.
    - Initiate and complete collaborative studies, including non-FDA participants, designed to validate proposed methodology developed under the CMED program.
    - Complete and validate about 10 projects of the CMED program and send results to the U.S. Pharmacopeial Convention, Inc. (USPC).
- Continue liaison with the USPC to coordinate all compendial standard issues and contribute to the establishment and revision of public standards through the continuing review of Pharmacopeial Forum (PF) and development of appropriate responses to compendial or FDA public standard initiatives.
    - Collaborate on the establishment of dissolution standards on human drug products and resolve differences between compendial dissolution standards and in-vitro bioequivalence requirements.
    - Assist in the development and revision of monographs for human and veterinary antibiotic drug products and transfer monograph publication from the Code of Federal Regulations to the USP.
- Maintain a program to validate methodology proposed for compendial monographs published in PF.

GENERIC DRUG EVALUATION

Increase

No program increase is requested in the Generic Drug Evaluation project in 1987.

Plan of Work

To ensure that new prescription and certain over-the-counter drug products subject to new drug application requirements and approved between 1938 and 1982, as well as appropriate pre-1938 drug products, are effective as well as safe; and to ensure that identical and acceptably similar and related products are properly manufactured, tested, labeled and are bioequivalent (if required) to a suitable reference product before marketing, in 1987 FDA will:

- Publish final regulations and amend guidelines for implementing abbreviated new drug application (ANDA) procedures under the Drug Price Competition and Patent Term Restoration Act.

- Receive 1,000 original abbreviated new drug applications, plus 22,000 resubmissions and amendments, supplements, reports, and other correspondence for unapproved and approved applications; and receive 100 Form 6 applications, plus 5,000 resubmissions, amendments, supplements, reports and other correspondence for unapproved and approved Form 6 applications. Submissions will be reviewed, evaluated, and appropriate action will be taken.

- In response to published Notices of Opportunity for Hearing (NOOH) for Drug Efficacy Study Implementation (DESI) and related products, grant 3 hearings for 5 DESI products, deny 9 hearing requests for 16 DESI and DESI-related products, and hold 3 hearings for 5 DESI drug products.

- Continue surveillance and compliance follow-up on Final Orders affecting "named" DESI drug products (and all "Identical", "Similar" or "Related" drug products) to assure that for DESI "Effective" NDAs, ANDAs, and required reports are submitted to FDA, and assure that DESI "Ineffective" and other related drug products found not to be in compliance are removed from the market. This action is expected to require the issuance of 40 regulatory letters and result in the removal of 60 DESI affected drug products from the market.

- Implement and further refine the plans and procedures for resolving the status of the remaining DESI-related or similar products and other pre-1962 approved or unapproved prescription drug products, that for various reasons, have never been fully evaluated for safety and/or efficacy.

- Publish four FEDERAL REGISTER documents relating to safety and effectiveness issues for 12 DESI-related products.

- Receive and process three additional safety and effectiveness hearing requests on DESI-related products.

- Deny effectiveness hearing requests in four documents involving 66 DESI-related products.

- Publish four FEDERAL REGISTER documents affecting 121 unapproved prescription drug products.

- Publish the final regulation for the use of ANDAs by new marketers of certain drugs initially approved for marketing through the NDA procedure on or after October 10, 1962; begin implementing procedures for determining ANDA suitability.

OVER-THE-COUNTER DRUG EVALUATION

Increase

No program increase is requested for the Over-the-Counter Drug Evaluation project in 1987.

Plan of Work

To develop standards for the safety, effectiveness, and labeling of all over-the-counter (OTC) drug products and to monitor their implementation, in 1987 FDA will:

- Develop, through Agency clearance, proposed rules (PR) for the following categories of OTC drug products:
    - Anticaries (Laboratory Testing Profiles)
    - Boil Ointments
    - Corn/Callus Removers
    - Diaper Rash
    - Digestive Aids
    - External Analgesics
    - Fever Blisters/Cold Sores (External)
    - Insect Bite and Sting
    - Oral Health Care (Antimicrobial)
    - Overindulgence Remedies
    - Pediculicides
    - Poison Ivy, Oak, Sumac Remedies
    - Relief of Oral Discomfort
    - Skin Protection
    - Sunscreen
    - Vaginal Drug Products
    - Weight Control
- Develop, through agency clearance, final rules (FR) for the following categories of OTC drug products:
    - Antiperspirants
    - Cough/cold (antitussives)
    - Ingrown Toenail Relief
    - Nailbiting/Thumbsucking Deterrents
    - Skin Bleaching
    - Wart Removers
- Develop and publish OTC related documents as required.
- Review and evaluate protocols and submissions received from manufacturers on Category III testing data.
- Review and evaluate other submissions, such as petitions for amendments to, or exemptions and deviations from, final monographs or other OTC drug regulations.
- Review Rx to OTC switch requests.
- Review the labeling of OTC drug products for approval via new drug applications.
- Continue surveillance of marketed OTC drug products and take appropriate action against violative products or those products representing serious health hazards.

- Develop and implement compliance programs for the various categories of drug products for which final rules are published.

BIOPHARMACEUTICS

Increase

No program increase is requested for the Biopharmaceutics project in 1987.

Plan of Work

To develop biopharmaceutic policies, procedures and specifications for new chemical entities, generic drugs and specialized drug-delivery systems to serve as guidelines for drug submissions, and as a basis for Agency regulatory action, in 1987 FDA will:

- Review approximately 2,100 Investigational New Drug Exemptions, New Drug Applications (NDA), NDA Supplements, Abbreviated New Drug Applications (ANDA), and Antibiotic Forms 5 and 6 to assure that the subject drugs are bioavailable and/or bioequivalent.

- Hold two public workshops to clarify complex and controversial bioavailability/bioequivalence issues.

- Develop in vitro methods and specifications for 25 new dissolution requirements for issuance as requirements for New Drug Application approval and/or compendia specifications. At least two of these methods and specifications will be used to ensure the bioequivalence of such drugs to eliminate the necessity for future testing in human subjects as a means of seeking drug product approval.

- Complete dissolution test method development and performance analysis on all brands of tablets and capsules of ten multiple-source drugs (approximately 60 actual drug products) which pose high potential bioequivalence problems and for which no currently published bioavailability related in vitro (dissolution) methods exist. Such new test methods will ultimately be proposed as compendial drug product standards to assure product uniformity on a batch-to-batch basis.

- Complete dissolution validation testing in two or more FDA laboratories involving the testing of over 25 products.

- Complete the development of new in vivo methods for one active ingredient and perform in vivo bioequivalence studies on selected brands of four generic drugs using new or improved methods.

DRUGS AND BIOLOGICS: BIORESEARCH MONITORING

Increase

No program increase is requested for the Drugs and Biologics: Bioresearch Monitoring project in 1987.

Plan of Work

To ensure that clinical and non-clinical investigations are conducted in a scientific manner and reported accurately; that documents submitted to FDA demonstrate the safety and effectiveness of drugs and biological products; that the rights and welfare of human subjects participating in drug and biologics trials are being protected and that the standards of medical care established for the methadone treatment of narcotic addiction are complied with, in 1987 FDA will:

- Conduct inspections and complete review of inspection reports as follows:

68	Non-Clinical Laboratories
230	Institutional Review Boards
40	Sponsors, Contract Research Organizations and Monitors
270	Clinical Investigators
15	Biopharmaceutics Laboratories
20	Radioactive Drug Research Committees

- Evaluate and make necessary revisions in the compliance programs of the Bioresearch Monitoring program.

- Conduct necessary follow-up inspections and other compliance activities as a result of violations observed during surveillance inspections. Some inspectional findings may question data submitted to FDA and require intensive analysis of New Drug Applications, Notices of Claimed Exemptions for Investigational New Drugs, Drug Master Files, and other applications or petitions.

- Take necessary regulatory actions as indicated such as disqualification of clinical investigators, institutional review boards or institutions, recommendations to the Department of Justice for criminal prosecution, and rejection of invalid studies and studies not conducted in compliance with FDA's regulations.

- Provide guidance to Institutional Review Boards to explain FDA and Health and Human Services regulations to assure adequate protection of human subjects of research.

- Maintain and update inventory of bioresearch organizations and locations.

- Review and evaluate 75 new and relocation methadone treatment program and hospital applications.

- Review and evaluate all active narcotic treatment program applications for which submissions of updated information are received to ensure that applicants meet the requirements upon which approval was granted.

- Consult with the Drug Enforcement Administration concerning the approval status of all applications for registration as narcotic treatment programs, hospital detoxification programs, alternative methods of distribution and alternate dispensing sites.

- Consult with the National Institute on Drug Abuse (NIDA) concerning patient exceptions, program exemptions, non-compliant narcotic treatment programs, policies and precedent-setting situations resulting from the enforcement of the Narcotic Treatment Standards.

- Review, evaluate, and approve or deny requests from narcotic treatment programs for individual patient exceptions and program exemptions from specific requirements of the Narcotic Treatment Standards.

- Inspect 130 narcotic treatment programs to determine compliance with the Narcotic Treatment Standards.

- Publish a Directory of Narcotic Treatment Programs.

- Implement joint FDA/NIDA final revisions to the Narcotic Treatment Standards.

DRUG EXPERIENCE AND TRENDS ANALYSIS

Increase

No program increase is requested for the Drug Experience and Trends Analysis project in 1987.

Plan of Work

To establish a scientific basis for determining risk and supporting regulatory activities through monitoring short- and long-term effects of drugs, as well as the extent of their utilization, in 1987 FDA will:

- Continue to implement the FDA Action Plan Goal to strengthen FDA postmarketing surveillance activities.

  - Maintain the quality and quantity of reporting of adverse reaction reports through implementation of the revised NDA regulations and utilization of information learned from state contracts designed to assess physician-based reporting methods.

  - Continue to investigate advanced technology to facilitate the efficient processing of adverse reaction reports.

  - Monitor and evaluate the impact of the revised NDA regulations with regard to the reporting requirements for adverse drug reactions and update the corresponding guidelines.

- o Implement final regulations governing the submission of adverse reaction reports for biologics and drugs without approved New Drug Applications.

- Evaluate and process approximately 40,000 drug and biologic experience reports received from drug manufacturers, individual health practitioners, hospitals, and consumers.

- Work with the manufacturer on the use of industry-submitted computer tapes compatible with FDA's computer systems as a means of reducing the reporting burden to industry for periodic non-serious adverse reactions.

- Continue to utilize cooperative agreements and contracts in support of the Agency's extramural research capability with special attention given to the Boston Collaborative Drug Surveillance program's monitoring of hospitalized patients and studies of drug-disease association in Puget Sound HMO patients, the Mayo Clinic, the American Academy of Dermatology, IMS America, Ltd., Rhode Island Health Services Research, Inc., the Oregon Health Science University, and several medicaid-related proposals (University of Pennsylvania, Vanderbilt University, and Health Information Design).

- Publish a report on 1985 Drug Utilization in the U.S. and a 1986 Annual Review of Adverse Reactions.

PRESCRIPTION DRUG ADVERTISING AND LABELING

Increase

No program increase is requested for the Prescription Drug Advertising and Labeling project in 1987.

Plan of Work

To ensure that prescription drug information disseminated to physicians is accurate and not misleading; and to improve human prescription drug labeling and prescribing by establishing scientific standards for human prescription drug labeling, by monitoring industry compliance with standards and by disseminating labeling information to the health care community and the public, in 1987 FDA will:

Prescription Drug Advertising

- Monitor 20,000 prescription drug advertisements and 9,000 promotional labeling pieces for compliance with applicable laws and regulations, and initiate corrective action on any advertising violations.

- Perform in-depth reviews on 200 advertisements and 700 labeling pieces.

- Review 6,000 submissions of advertisements and promotional labeling pieces associated with drugs covered by New Drug Applications (NDAs).

- Review 15 proposed package labeling submissions and 50 proposed promotional campaigns submitted to the Agency as part of the NDA approval process, as well as those voluntarily submitted by industry to preclude the distribution of violative materials.

- Continue to issue advisory opinion letters and conduct conferences with industry as a means of preventing misleading promotions.

Prescription Drug Labeling

- Continue to provide assistance to the reviewing divisions for the physician labeling revision program. The objective of this program is the upgrading of all prescription drug packages inserts in accordance with the Format and Content Regulations published June 26, 1979.

- Complete revision of the prescription drug labeling regulations and submit the proposal for publication in the FEDERAL REGISTER.

- Continue to develop specialized drug information for pediatric and geriatric groups.

- Continue to conduct studies on patient information and education on prescription drugs with special emphasis on Agency priorities, such as Health Fraud and Reye's Syndrome (aspirin labeling).

- Continue to assist drug manufacturers and medical, pharmacy, and consumer organizations to develop drug education materials.

- Continue to participate in interagency activities with the National Institute on Aging in the conduct of drug and drug information studies in the geriatric population.

- Continue to develop methods for gathering and disseminating drug information to consumers and health professionals through conferences, workshops, public service announcements, and the Patient Education Resource Center; continue cooperative efforts with private sector organization such as the National Council on Patient Information and Education; and update every 12-18 months the Prescription Drug Information and Education Programs and Resources Directory.

- Continue review of class labels.

- Conduct a review of doctor-patient communications.

- Conduct a meeting with the Drug Information Association on the marketing of prescription drugs and the impact of labeling.

BLOOD AND BLOOD PRODUCTS

Increase

No program increase is requested for the Blood and Blood Products project in 1987.

Plan of Work

To ensure that blood and blood products are safe, effective and properly labeled for their indicated medical use, in 1987 FDA will:

- Continue the review of regulations pertaining to blood and blood products to ensure that they are scientifically sound, provide for acceptable alternative procedures wherever possible and do not have unnecessary adverse economic impact on the industry.

- Conduct annual registration of blood and blood products manufacturers.

- Conduct over 900 inspections of facilities licensed to manufacture products for interstate commerce and over 600 inspections of registered blood establishments conducting intrastate business to assure compliance with current applicable regulations.

- Review license applications and amendments for new and licensed products and prepare proposed and final standards.

- Review over 1,700 IND applications and amendments for established and newly developed (bioengineered) biologics. Organize and participate in discussions with manufacturers, related to production and clinical protocols.

- Conduct over 40,000 tests for potency, safety, sensitivity/specificity on biologics submitted for release.

- Continue to monitor closely the status of acquired immune deficiency syndrome (AIDS) and the association with blood products and respond appropriately as new information becomes available.

- Continue to study improved test methodology for Anti-HTLV-III detection and "confirmatory" tests. (HTLV-III is the virus related to AIDS and the presence of antibody to this virus may indicate lack of safety of blood products and plasma derivatives.)

- Continue to monitor HTLV-III antibody testing data and provide information regarding the effectiveness of the HTLV-III antibody test in assuming the safety of blood products to organizations representing donors, recipients and blood/plasma collection groups.

- Continue to evaluate new HTLV-III blood test reagents during the research and development phase (under IND) and biologic product license applications.

- Continue to monitor and participate in studies involving plasma fractionation methods to assure that such processes yield products free of viral infectivity. Particular attention is devoted to globulin production methods.

- Continue to study groups of (ELISA) HTLV-III antibody positive blood donors on a long-term follow up basis to correlate the results with potential infectivity of these individuals.

- Continue with the scientific and regulatory evaluation of newly developed tests reagents in the detection of HTLV-III and/or antibody during research and development and product license application.

- Continue to monitor blood banks and plasma centers to determine compliance with FDA directives in screening HTLV-III antibody positive units.

- Continue efforts initiated in 1986 to develop probes to detect the virus in sera with HTLV-III antibody (ies); and members of high-risk groups.

- Continue studies which correlate immunoglobulin fragmentation during storage (i.e. - product stability) with effective potency of the specific antibodies contained in Immune Serum Globulin products and publish revised product standards to incorporate new knowledge.

- Continue review of all source plasma donor immunization programs, procedures and planning to publish revised guidelines.

- Amend recommendations for blood and plasma collecting facilities regarding most current and sound mechanisms which should be used to reduce the risks of transmitting infectivity through blood and plasma products.

- Develop standards and analytical methods for control of hepatitis B vaccine and hepatitis B immune globulin, using in vitro approaches and the chimpanzee animal model system.

- Continue to monitor evolving data in plasticizers used in containers for blood and blood products.

- Continue the long-term evaluation of the consequences of post-transfusion hepatitis in recipients of blood and blood products and chronic hepatitis B virus infection in donors.

- Develop a consensus on surrogate testing for Non-A, Non-B hepatitis and actively participate in the regulatory and scientific evaluation of various testing alternatives.

- Continue the long-term evaluation of the high exposure of blood and blood products in hemophiliacs and laboratory evaluation of the possible adulteration of blood and blood products with components of plastic containers.

- Continue to develop and update guidelines and laboratory test methods for monoclonal in vitro diagnostic reagents.

- Continue the development and utilization of animal model systems assessing the safety and effectiveness of coagulation products.

- Continue research to improve storage time and efficacy of platelets, red blood cell products and leukocyte concentrates.

- Evaluate the effects on blood cell function of agents designed to reduce/remove infectious organisms from blood products.

- Evaluate new methods to assure freedom of plasma derivatives from contamination with etiologic agents.

- Develop programs to improve regulation of plasmapheresis and cytopheresis operations and develop revised standards for these procedures.

- Continue to explore animal model, serological, and tissue culture approaches to better define the causative agent in non-A, and non-B hepatitis.

- Conduct studies to correlate the effects of manufacturing processes, particularly pasteurization, and in vivo survival of albumin products.

- Continue to develop programs for regulation of new products (e.g., prepared by hybridoma technology, recombinant DNA derived, synthetic polypeptides, etc.) including publishing guidelines and defining Good Manufacturing Practices for these unique products.

- Continue to develop basic and directed research programs to evaluate methods of treating plasma proteins to reduce their potential infectivity.

- Continue to develop a scientific base for regulation of new, potentially useful plasma or cellular derived proteins such as antithrombin-III, Alpha-1-protease inhibitor, cholinesterase, ferritin, ceruloplasmin, fibronectin, hematin, erythropoietin, C1-inactivator, Protein C.

- Continue to establish safety and efficacy criteria for evaluation of cell separators labeled for use in preparing blood products for human use to assure a uniform approach to pre-market evaluation studies.

- Initiate developmental work to assess the potency of injectable monoclonal antibodies.

- Continue to develop monoclonal antibodies against human cell surface markers for appropriate antigen characterization.

- Support efforts in the scientific community to standardize methods for evaluation of red blood cell functions.

- Continue to monitor toxicity data on plasticizers used in containers for blood and blood products.

- Continue to review criteria for the safety and efficacy of red blood cells for transfusion.

- Continue to provide information regarding the effectiveness of the HTLV-III test in making blood products safe to organizations representing blood recipients and blood collection groups.

VIRAL AND RICKETTSIAL PRODUCTS

Increase

No program increase is requested for the Viral and Rickettsial Products project in 1987.

Plan of Work

To ensure that viral and rickettsial products are safe, effective and properly labeled, in 1987 FDA will:

- Inspect 12 licensed establishments holding a total of 31 licenses for 22 viral and rickettsial products.

- Review manufacturing protocols submitted for the release of an estimated 800 product lots and conduct approximately 7,500 tests on samples submitted for release on a lot-by-lot basis for sterility, safety, potency, pyrogen, residual moisture and chemical determinations.

- Review labeling and package insert submissions to determine that viral products are properly labeled.

- Review 1,400 laboratory and clinical data submissions for Investigational New Drug Applications.

- Review data submissions in support of establishment and product license applications and amendments.

- Continue immunologic and virologic studies on patients with acquired immune deficiency syndrome (AIDS) and related opportunistic diseases.

- Study the mechanisms of virus infection and vaccine protection against disease.

- Support programs to study the relationship of measles infection and immunization to the development of subacute sclerosing panencephalitis, a lethal neurologic disease.

- Conduct laboratory and clinical investigations to further elaborate the safety and effectiveness of influenza vaccines in high-risk groups.

- Continue to evaluate the molecular biology of virus infections.

- Continue research into the genetic basis for attenuation of viruses used for the production of living virus vaccines.

- Continue the evaluation of rabies vaccine potency testing of cell culture vaccines, modification of the in vivo potency test and development of in vitro assay procedures.

- Continue collaborative study with the World Health Organization to assure adequacy of methods of measuring potency of influenza virus vaccine.

- Continue to evaluate products derived from genetic engineering and monoclonal antibodies and to study their potential usefulness in the treatment of viral diseases.

- Continue to study the role of interferon in the treatment of viral diseases.

- Conduct testing for detection of extraneous viruses that might be present in vaccines and apply newer techniques for their detection.

- Continue to develop electron microscopic techniques to assess the purity of recombinant DNA genes and gene products.

- Continue to evaluate the safety and efficacy of candidate cytomegalovirus, herpes simplex and varicella-zoster virus vaccines.

- Continue to develop improved methods of evaluating the potency and immunogenicity of inactivated poliomyelitis vaccine.

- Develop and apply in vitro alternatives to animal tests for tumorgenicity.

- Continue to study the mechanisms of action of lymphokines and their safety and effectiveness.

- Continue to evaluate the safety and effectiveness of hepatitis A and rotavirus vaccines.

- Continue cell biology research to study new methods for vaccine production and new biologics relevant to viral diseases.

- Continue to study the applications of cytokines in virology and their role in immunity to viruses.

- Continue to study the biology of human T lymphotrophic viruses and the potential safety and effectiveness of various methods for vaccination.

- Continue to study the replication of human T lymphotropic virus, Type III (HTLV-III), important antigens, pathogenesis of infection, animal models, safety of blood products, and efficacy of antibody tests.

BACTERIAL AND ALLERGENIC PRODUCTS

Increase

No program increase is requested for the Bacterial and Allergenic Products project in 1987.

Plan of Work

To ensure the safety and efficacy of Bacterial and Allergenic Products in 1987 FDA will:

- Conduct 39 inspections of manufacturing establishments producing bacterial and allergenic products.
- Perform or examine approximately 5,900 control tests for potency, sterility, general safety, freedom from toxicity, chemical analysis, and tests for specific residual chemicals and moisture.
- Develop analytic techniques for measuring the purity, safety, composition, and potency of licensed vaccines.
- Develop techniques for measuring the purity, safety, composition, and potency of vaccines and other products which are biological investigational new drugs, such as H. influenzae type b polysaccharides, singly or as protein conjugates; acellular pertussis vaccines; live or synthetic oral vaccines against typhoid cholera or other enteric diseases; malarial vaccines; vaccines against sexually transmitted diseases, such as gonorrhea, syphilis, chlamydia or mycoplasmas; and toxins and immunotoxins for therapeutic use.
- Develop in vitro and in vivo methods and references applicable to the characterization and evaluation of potency and effectiveness of allergenic extracts. Hold workshops on the application of these references and methods to the standardization of an increased number of products.
- Conduct clinical studies to evaluate the biological activity of allergens, and apply the information to their standardization.
- Continue research on allergenic extracts, such as animal, insect, pollens, molds, or foods, to identify important allergens.
- Develop new techniques for prevention of bacterial meningitis and for the evaluation of vaccine candidates for immunization against bacterial meningitis, including studies of noncapsular surface antigens and antibodies.

- Continue research related to bacterial polysaccharides which may be important virulence factors or vaccine candidates, such as those from Neisseria, Haemophilus, E. coli, Streptococcus, Klebsiella, and Staphylococcus.

- Continue studies on the genetics of bacterial virulence factors such as toxins and capsular polysaccharides. These studies may lead to products derived by recombinant DNA techniques or to synthetic antigens.

- Study the interaction of tetanus toxin and/or other toxins with cells and membranes to identify receptors and/or mechanisms of action and the pathogenesis of disease caused by these toxins; continue to use tetanus toxin as a model for understanding other bacterial toxins and/or hormones or immunotoxins which may be used for cancer chemotherapy.

- Refine or develop in vitro methods to assay the clinical potency of new toxoid vaccines.

- Continue to expand the capacity to produce monoclonal antibodies against many different types of antigens (i.e. pertussis and tetanus toxins, outer membrane proteins, polysaccharides, allergens, and tuberculins) for their use in defining bacterial or allergenic components or peptides which are related to disease pathogenesis or prevention.

- Study the development of more specific skin and serologic tests for use in the diagnosis of tuberculosis and related mycobacterial infections.

- Continue studies to evaluate the role of genetically determined markers in susceptibility to mycobacterial and other intracellular diseases.

- Continue studies on the role of mycoplasma or ureaplasma infections in human diseases, in particular, pulmonary, arthritic and urogenital diseases.

- Continue studies to develop more effective methods for detecting mycoplasma contaminants in culture fluids and in biologics.

- Continue to develop and utilize methods for measuring the potency and toxicity of whole cell and acellular vaccines against pertussis.

- Continue to study the protective effect and toxicity of individual bacterial components isolated from Bordetella pertussis (e.g. adhesins, such as fimbriae), and continue to support the manufacturers' and FDA's efforts to develop and make available new acellular pertussis vaccines.

- Continue to assay sera obtained from clinical studies for antibodies to pertussis antigens.

HEALTH FRAUD. DRUGS AND BIOLOGICS

The agency defines health fraud products as ineffective products to which people with serious disease conditions may turn instead of seeking or continuing proper medical treatment. Such products are marketed under a variety of circumstances. Some are distributed by sincere but misguided individuals, others are promotional schemes by "quick-buck artists" and swindlers. Some representative examples of health fraud products are: AIDS preventatives and cures, oral chelation products, and cancer cures.

Increase

No program increase is requested in the Health Fraud: Drugs and Biologics project in 1987.

Plan of Work

To detect health fraud products at an early stage in their promotion, and to take necessary steps to remove such products from the market before the health of American consumers are adversely effected, in 1987 FDA will:

- Issue public information bulletins to prevent citizens from being victimized by such products.
- Coordinate FDA activities under this program with other federal, state and local agencies that conduct health and economic fraud investigations.
- Sponsor educational programs for consumers, trade associations, and concerned professional groups interested in combating fraudulent drugs and biologicals, including conducting programs for target groups such as Hispanics and the elderly.
- Investigate drugs and biologics with unwarranted claims which may pose consumers direct or indirect health hazards, or present a major economic fraud.
- Act promptly to remove health fraud products from the market in commensurate with the degree of hazard involved and within practical limitations of Agency resources.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
ANIMAL DRUGS AND FEEDS

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual....................................			426	$23,427,000		
1986 Total Obligations......................			423	23,807,000		
Section 515 Withholding....................			—	—		
Reduction Pursuant to PL 99-177 (Sequestered)			—	- 1,024,000		
1986 Revised Obligations......................			423	22,783,000		
1986 Appropriation Estimate..................			423	24,357,000		
General Staffing Reduction..................			-12	—		
PL 99-190 Reduction (6/10 of 1%)............			—	- 141,000		
PL 99-190 Not available for obligation.......			—	- 409,000		
1986 Current Estimate..........................	423	$24,357,000	411	23,807,000	-2.8%	-2.3%
Built-In changes:						
Personnel related costs....................			—	216,000		
Operating expenses.........................			—	570,000		
Program Changes:						
Reallocation to Human Drugs and Biologics/ New Drug Evaluation (NDE) 1/..............			-4	- 200,000		
1987 Budget Request...........................	411	23,807,000	407	24,393,000	-1.0%	2.5%
(Net Change from 1986 Current Estimate)......			(-4)	(+586,000)		

1/ FDA is requesting an increase of 40 FTEs and $2.0 million for the New Drug Evaluation project in the Human Drugs and Biologics activity. This increase is offset by an across-the-board reduction in FDA activities.

ANIMAL DRUGS AND FEEDS

SUMMARY OF REQUIREMENTS

Budgetary resources identified with the Food and Drug Administration's (FDA) Animal Drugs and Feeds program are used to ensure that veterinary drugs are safe and effective, that animal feeds are not adulterated, and that animal drugs do not constitute a human health hazard because of residues which remain in edible tissue or because of bacteria that become drug resistant. This is accomplished through regulatory activities, such as feed establishment inspections, drug establishment inspections, sample examinations, seizures, prosecutions and injunctions. Direct enforcement activities are supplemented by research, voluntary guidelines, Federal/state inspection and training programs, good manufacturing practice regulations, premarket clearance of new animal drugs and monitoring of the drug supply.

To ensure adequate consumer protection in the area of Animal Drugs and Feeds, FDA is requesting an increase of $786,000 for personnel related and operating expenses (total requested for 1987 is $24,393,000).

SAFETY OF ANIMAL-DERIVED HUMAN FOODS

Increase

No program increase is requested for the Safety of Animal-Derived Human Foods project in 1987.

Plan of Work

To ensure that drug and chemical residues which are a risk to human health are not found in edible animal tissue, in 1987 FDA will:

- Conduct follow-up investigations of USDA reports of drugs, pesticides or industrial chemicals in edible animal tissues.
- Continue pharmacokinetic studies on industrial chemicals accidentally introduced into food animals to support establishment of action levels.
- Continue studies on the toxicity, tissue residues and pharmacokinetics of veterinary drugs in food animals, including minor species and veal calves.
- Continue joint efforts with USDA to determine the incidence of animal drug residues in meat.
- Review approximately 450 New Animal Drug and Investigational New Animal Drug Applications, Food Additive Petitions GRAS (Generally Recognized as Safe) Affirmation Petitions, and master files for human safety implications.

- Continue research to develop analytical methods for detection of antibiotic residues in milk.

- Continue to participate with USDA in the Surveillance Advisory Committee, to choose those drugs to be monitored during the fiscal year.

- Continue to cooperate with USDA's Food Safety and Inspection Service (FSIS) on voluntary compliance programs.

- Continue development and evaluation of selected multiresidue screening assays for classes of animal drugs, i.e., benzimidazole anthelmintics.

- Complete development of two guidelines for special regulatory problems, such as pre-approval data requirements for animal drugs produced by new technologies and for protein hormones.

- Analyze approximately 200 samples of animal feeds and animal source foods to identify sources of illegal residues in livestock and poultry tissue.

- Continue analytical method validation trials of regulatory assays for residues of animal drugs.

- Publish final regulations to assure safety of animal-derived human foods.

- Evaluate comments on six general food safety guidelines and publish final regulation on carcinogenic new animal drugs.

- Continue review and take necessary action concerning human food safety of two approved animal drugs.

ANIMAL FEED SAFETY

Increase

No program increase is requested for the Animal Feed Safety project in 1987.

Plan of Work

To ensure the proper use of drugs in animal feed and to protect the consumer from unsafe drug residues and environmental contaminants in animal food products, in 1987 FDA will:

- Review and complete actions on approximately 10,000 medicated feed applications within the statutory 90-day period.

- Conduct approximately 3,670 medicated feed mill inspections (2,200 under state contracts and 1,470 directly, including audits).

- Conduct approximately 90 inspections of pre-mix manufacturers and collect about 20 samples for drug analysis.
- Collect approximately 300 domestic and imported feed and drug premix samples and analyze approximately 30 for drug content.
- Collect and analyze approximately 1,000 samples of domestic and imported animal feeds and feed ingredients for pesticides, industrial chemicals and heavy metals.
- Continue research on feed toxicants and feed additives to determine relationship of dose to toxicological effect.
- Initiate research on mycotoxins (trichothecenes, aflatoxins, etc.) in major and minor species.
- Continue to develop and validate assay methodology for drugs and food additives in animal feed.
- Continue the Emergency Response System.
- Continue research to study nutritional and physiological interactions from non-nutritive feed additives.
- Collect and analyze approximately 400 samples of selected feed commodities for mycotoxins.
- Collect and analyze through State contract approximately 1,000 samples of feed ingredients for chemical contaminants.
  Continue development and updating of monographs on nutrient requirements of animals.
- Continue research to investigate the effect of aflatoxin on the neonatal animal.

MONITORING MARKETED ANIMAL DRUGS & DEVICES

Increase

No program increase is requested for the Monitoring Marketed Animal Drugs and Devices project in 1987.

Plan of Work

To ensure that animal drugs and devices marketed in interstate commerce are safe and effective and not otherwise adulterated or misbranded, in 1987 FDA will:

- Conduct approximately 340 establishment inspections of veterinary drug firms.
- Collect approximately 240 and analyze approximately 80 domestic and imported samples of marketed animal drugs and devices.

- Provide approximately 1,000 advisory opinions on recommended or potential regulatory action.

- Review approximately 2,600 Drug Experience Reports.

- Review approximately 80 regulatory NADA Supplements.

- Maintain an adverse reaction reporting system involving 1,200 Adverse Drug Reaction (ADR) reports.

- Continue toxicological studies on drugs and feed additives in food-producing animals, including minor species.

- Conduct 340 inspections and/or investigations of firms suspected of illegally distributing prescription veterinary drugs and collect samples as documented evidence.

- Conduct 80 inspections or investigations of importers of animal drugs.

- Conduct 100 inspections or investigations of domestic bulk drug Refin ERS distributors.

NEW ANIMAL DRUG EVALUATION

Increase

No program increase is requested for the New Animal Drug Evaluation project in 1987.

Plan of Work

To ensure that animal drugs and feed additives are safe and effective and that their use in food-producing animals does not constitute a human health hazard, in 1987 FDA will:

- Review approximately 3,500 New Animal Drug Applications and related submissions, and Investigational New Animal Drug files. Continue priority review process for the new animal drugs classified as Expedited Review.

- Through the use of in vivo animal models, continue to study pharmacology, toxicology and pharmacokinetics of antimicrobial, anthelmintic and anti-inflammatory agents, including the establishment of related efficacy requirements; continue studies on the toxicology of organophosphate anthelmintics in target species.

- Continue implementation of minor use regulations by review of approximately 30 minor use applications.

- Continue to develop a proposed generic animal drug policy.

- Continue to review four antibacterials for low-level use and review drug resistance data on six new antibacterials.

- Finalize safety and efficacy reviews on approximately 195 sulfonamide-containing drug products for use in food-producing animals.

- Continue efficacy study of 40 remaining drugs reviewed by the National Academy of Sciences/National Research Council.

- Continue studies on immunological reactions in domestic animals and the interactions between the immune system and veterinary drugs and feed additives.

- Evaluate comments on proposed changes to New Animal Drug Application regulations.

- Continue to assist in the development of data under the cooperative minor use research agreements.

- Continue review of investigational drug regulations.

- Publish final rule or vacate proposed rule on bulk new animal drugs.

ANIMAL DRUGS BIORESEARCH MONITORING

Increase

No program increase is requested for the Bioresearch Monitoring program in 1987.

Plan of Work

To ensure that the quality and integrity of bioresearch data for animal drugs and feed additives are sufficient and reliable for use in the approval process of New Animal Drug and Medicated Feed Applications, in 1987 FDA will

- Conduct inspections to ensure the quality and integrity of data collected in 20 toxicology laboratories.

- Conduct approximately 10 inspections to ensure procedural compliance with the Investigational New Animal Drug regulations by new drug sponsors and new drug monitors.

- Conduct inspections to ensure data validity of approximately 60 clinical investigations.

ANIMAL DRUGS: VOLUNTARY COMPLIANCE

Increase.

No program increase is requested for the Voluntary Compliance project in 1987.

Plan of Work

To increase compliance with the Federal Food, Drug, and Cosmetic Act by increasing firms' understanding of their responsibilities under the Act, in 1987 FDA will:

- Prepare and deliver approximately 40 speeches on veterinary drug issues.
- Continue to develop national animal welfare monograph.
- Conduct four workshops on illegal distribution of veterinary drugs.
- Develop continuing education programs for veterinary pharmacologists.
- Continue to coordinate with other federal and state agencies on voluntary compliance.
- Write 12 articles on veterinary drug issues for publication in veterinary journals.
- Conduct the CVM Small Business Program.
- Continue computer networking effort with veterinary institutions associated with animal drug use.
- Prepare, print, and distribute a list of animal drugs which may be legally marketed in the U.S.
- Conduct educational programs associated with the new drug approval process.
- Develop two exhibits on CVM programs for display at industry meetings.

HUMAN DRUGS AND BIOLOGICS

STATUS OF BASE PROGRAM

NEW DRUG EVALUATION

CURRENT ACTIVITIES

To ensure that adequate evidence has been presented to demonstrate that new drugs and proposed new uses of existing approved drugs are safe, effective, and properly labeled, in 1986 FDA will:

- Review approximately 1,990 Investigational New Drug Applications (IND), 165 New Drug Applications (NDA), and 2,980 NDA Supplements; and hold about 25 meetings with the standing advisory committees.
- Continue to improve the new drug review process for human drugs while improving quality of the reviews:
    - Continue efforts to implement revised IND regulations.
    - Continue development, evaluation, and implementation of experimental programs for conducting NDA reviews.
    - Begin to implement programs to increase the use of outside expert reviewers and to recruit additional scientists for the drug review process.
    - Continue to develop and implement new procedures and systems for improving the review of effectiveness supplements to new drug applications.
    - Conduct and evaluate experimental drug review programs comparing the review of a standard NDA submission with review through electronic access to clinical data.
- Continue operation of the "priority review" system, classifying new and investigational drug applications according to chemical type and therapeutic potential.
- Reduce the backlog of NDAs not reviewed within the statutory time.
- Conduct validation studies of about 100 methods of analysis submitted by drug manufacturers for approvable new drugs.
- Review amendments and annual reports to active INDs.
- Review mandatory periodic reports on NDAs and withdraw NDA approval from applicants who fail to submit required reports.
- Publish revised IND regulations to improve the efficiency of the review and approval processes and to refine policies to reflect current practices.

- Develop and apply guidelines for medical, statistical, pharmacological, chemical, and microbiological guidelines for the submission of INDs and NDAs.

- Develop, through intramural research, in vitro and in vivo methods for indicating drug toxicity and conduct studies of specialized, limited toxicity problems.

- Review submissions from radioactive drugs research committees and monitor their activities through review of meeting minutes, research study protocols, and on-site drug approval inspections.

- Evaluate INDs and NDAs for possible drug abuse potential.

- Collaborate with the National Institute on Drug Abuse to determine the amounts of those drug substances required to meet the medical needs for Schedule I and II drugs under the Controlled Substances Act, recommend control of additional drugs with abuse potential, and provide reports on these determinations to the Drug Enforcement Agency.

- Consult the National Institute on Drug Abuse on the development of possible alternative drugs for narcotic addiction treatment.

- Develop and publish guidelines for industry's use in completing the manufacturing and controls portions of new drug, antibiotic, and insulin applications.

- Develop, implement, and revise guidelines for the clinical evaluation of drugs.

- Provide quarterly reports to exchange information with approximately 25 foreign countries, including information on such subjects as new drug approvals, new guidelines, and proposed and final regulations.

- Prepare and issue Summary Basis of Approval documents.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Reviewed 1,987 Investigational New Drug Applications (IND), 166 New Drug Applications (NDA) and 2,977 NDA Supplements; and held 23 meetings with the standing advisory committees.

- Began to improve the new drug review process for human drugs while improving the quality of the reviews:

    - Published and implemented the revised NDA regulations, developing guidelines and new administrative procedures.

  - Continued preliminary work in preparation for implementation of revised IND regulations.
  - Began to develop and implement experimental programs for conducting NDA reviews, including plans to increase the use of outside experts in the review process and a fellowship program to attract additional scientists to FDA.
  - Began to develop new procedures and systems for improving the review of effectiveness supplements to new drug applications.
  - Initiated an experimental drug review program comparing the review of a standard NDA submission with review through electronic access to clinical data.

- Continued operation of the "priority review" system.

- Conducted validation studies of about 100 methods of analysis submitted by drug manufacturers for approvable new drugs.

- Reviewed amendments and annual reports to active INDs.

- Reviewed mandatory periodic reports on NDAs and withdrew NDA approval from applicants who failed to submit required reports.

- Developed medical, statistical, pharmacological, chemical and microbiological guidelines for the submission of INDs and NDAs.

- Developed through intramural research, in vitro and in vivo methods for indicating drug toxicity and conducted studies of specialized limited toxicity problems.

- Reviewed submissions from radioactive drugs research committees and monitored their activities through review of meeting minutes, research study protocols, and on-site drug approval inspections.

- Evaluated INDs and NDAs for possible drug abuse potential.

- Collaborated with the National Institute on Drug Abuse to determine the amounts of those drug substances required to meet the medical needs for Schedule I and II drugs under the Controlled Substances Act, recommended control of additional drugs with abuse potential, and reported on these determinations to the Drug Enforcement Agency.

- Consulted the National Institute on Drug Abuse on the development of possible alternative drugs for narcotic addiction treatment.

- Developed and published guidelines for industry's use in completing the manufacturing and controls portions of new drug, antibiotic, and insulin applications.

- Developed, implemented, and revised guidelines for the clinical evaluation of drugs and initiated the drafting of guidelines for testing drugs in the elderly.
- Provided quarterly reports to exchange information with 21 foreign countries, including information on such subjects as new drug approvals, new guidelines, and proposed and final regulations.
- Prepared and issued Summary Basis of Approval documents.

ORPHAN DRUGS

CURRENT ACTIVITIES

To encourage the development, testing, and marketing of drugs and other products of potential value in rare diseases, or which may otherwise be of limited commercial value, in 1986 FDA will:

- Encourage international cooperation in orphan drug development.
- Conduct a seminar at the annual meeting of the National Organization of Rare Diseases, and participate in other seminars on the topic of orphan products development.
- Continue extramural research on promising products through a program of grants or contracts totaling $3,000,000.
- Continue activities associated with FDA's responsibility and authority to implement the Orphan Drug Act.
- Provide administrative support and participate in the efforts of the Orphan Products Board including the National Information Center for Orphan Drugs and Rare Diseases (NICODARD).
- Participate in the efforts of the Pharmaceutical Manufacturers Association's Commission on Drugs for Rare Diseases, and the Generic Pharmaceutical Industry Association's Institute for Orphan Drugs.
- Continue an evaluation by the Center for Devices and Radiological Health, and the Office of Orphan Products Development on the adequacy of current authorities to facilitate the development of orphan medical devices.
- Review requests for orphan drug designation and evaluate exclusive approval status.
- Maintain Agency-wide orphan product identification network.
- Continue intramural research including animal studies to resolve safety/toxicity questions on promising orphan products.

PAST ACCOMPLISHMENTS

In FY 1985, FDA accomplished the following activities.

- Approved three designated orphan drugs. Each of these drugs was designated as an orphan drug in the period following enactment of the Orphan Drug Act. The sponsors of two of the three drugs have seven years of exclusive marketing rights for the designated orphan indication. The orphan drugs approved were:

  Potassium Citrate

  Potassium citrate was approved for the management of renal tubular acidosis with calcium stones, hypocitraturic calcium oxalate nephrolithiasis, and uric acid lithiasis with or without calcium stones. This citrate salt of potassium when administered orally increases urinary citrate and urinary PH by modifying renal handling of citrate. These changes produce a urine that is less conducive to the crystalization of stone forming salts (calcium oxalate, calcium phosphate, and uric acid.)

  Pentamidine Isethionate

  Approximately 60 percent of patients with Acquired Immune Deficiency Syndrome (AIDS) develop the rare and often fatal Pneumocystis carinii pneumonia (PCP). PCP is one of the leading causes of death in immunocompromised patients. The first line drug for this condition is trimethoprim/sulfamethoxazole (TMP-SMZ). Pentamidine has been demonstrated to be of comparable effectiveness to TMP-SMZ and is of great value in treating many PCP patients who do not tolerate or do not respond to TMP/SMZ.

  Cromolyn Sodium

  Cromolyn sodium 4% ophthalmic solution was approved by the Agency for use in treatment of vernal keratoconjunctivitis. Vernal keratoconjunctivitis (VKC) is a rare eye disease, characterized by severe itching, and a stringy mucous discharge which may severly affect children and young adults. Although normally self-limiting in 5-10 years, the disease may lead to corneal scarring and blindness in some patients.

- Published on December 7, 1984 in the FEDERAL REGISTER the availability of funds for 1985 for awarding grants to support clinical trials on safety and effectiveness of orphan products. Forty-six proposals were received, and of these, forty were acceptable for peer review. Based on the amount of funds available for the program, twenty-one of the forty competing grant proposals were funded. From the inception of FDA's orphan products grants program thirty-eight orphan product studies have been funded under the grant program. (Total 1985 funding: $2.6 million)

- Reviewed requests for orphan drug designation and evaluated exclusive approval status eligibility for sponsors.

- Maintained Agency-wide orphan product identification network.

- Continued intramural research including animal studies to resolve safety/toxicity questions on promising orphan products.

- Awarded a contract for research and summary of data related to the use of selected marketed drugs in newborn infants. These drugs currently lack adequate prescribing information for the neonatal uses, thus appropriate labeling information would be of great help to physicians and other health professionals caring for infants in newborn intensive care units. The study will assess the adequacy of the published data to support re-labeling the drugs for neonatal use; and also identify what, if any, additional studies would be required to support such re-labeling.

- Published Federal Register announcements seeking sponsors for the following products:

  Sulfur Hexafluoride - For use as an intravitreal gas to aid in the treatment of cases of complex retinal detachment;

  High concentration preservative free morphine - For intraspinal use in the treatment of severe chronic pain. A.H. Robins has made a commitment to pursue the development of the drug. Availability of this product will also assist the development of new drug delivery systems, e.g., programable implantable drug pumps which are medical extensions of NASA technology.

- Provided protocol assistance to nine sponsors requesting formal written recommendations under Section 525 of the Act.

- Assisted in the development of the annual report of Orphan Products Development Activities as part of the Orphan Products Board's responsibility under the Orphan Drug Act. Provided administrative support to and participated in the efforts of the Orphan Products Board including the National Information Center for Orphan Drugs and Rare Diseases (NICODARD).

- Obtained sponsor commitments for the development of three additional products for orphan conditions. (The total number of sponsors who have made a commitment for the development of orphan products under the FDA program to date is thirty.)

- Published an FDA Drug Bulletin article describing the functions of the National Information Center for Orphan Drugs and Rare Disorders, and another alerting clinicians to a CDC study of the use of quinidine in severe malaria.

- Published a notice in August 28, 1985 FEDERAL REGISTER inviting the submission of a New Drug Application (NDA) for antipyrine. Two pharmaceutical manufacturers, Upsher-Smith and Chelsea Laboratories, made formal commitments for the submission of an NDA for the use of oral antipyrine in the antipyrine test in patients to monitor the drug-metabolizing capacity of the liver.

- Published Interim Guidelines, for use by sponsors in requesting protocol assistance and orphan designation pursuant to section 525 and 526 of the Act based on the recent revision of the Orphan Drug Act. On October 30, 1984 PL 98-551 amended the Orphan Drug Act to define an orphan drug as a compound for the treatment of a rare disease or condition as one affecting patient population in the U.S. of 200,000 or less, or if over 200,000, one for which the anticipated costs of development and distribution of a drug for such disease cannot be recovered from sales. Twenty-nine designations of a drug as an orphan drug were made from January 1983 to October 1984, and an additional fifty-three designations were made in 1985 for a total of eighty-two.

- Notified all existing sponsors of designated orphan drugs of the change whereby designated orphan drugs may obtain exclusive marketing approval without the need to demonstrate unpatentability. On August 15, 1985, PL 99-91 was enacted to amend section 527 of Food, Drug, and Cosmetic Act. This amendment removed a requirement whereby a sponsor's designated orphan drug must be unpatentable in order to gain seven years of exclusive marketing approval effective upon the date of first FDA marketing approval.

DRUG QUALITY ASSURANCE

CURRENT ACTIVITIES

To monitor the quality of drugs marketed in the United States, to identify and remove from the market those drugs not meeting established specifications or not produced in compliance with requirements of the Current Good Manufacturing Practice (CGMP) regulations, and to maintain current listing of all drugs marketed in the United States and establishments which engage in the manufacturing, preparation, compounding, and propagation of drug products, in 1986 FDA will:

- Conduct approximately 3,830 inspections of human drug establishments including 3,350 drug process inspections, to assure compliance with the CGMP regulations and other standards related to drug quality assurance.

- Collect about 2,870 samples of imported drug products for compliance with quality standards, labeling, and drug listing requirements.

- Collect about 9,000 samples of commercially produced drugs and analyze about 6,700 samples for compliance with appropriate quality standards, including about 45 surveys of drug categories with greatest therapeutic significance.

- Receive and evaluate 4,300 drug product problem reports to identify problems with specific drug entities or firms, ascertain new trends or problems involved with manufacturing drugs, and follow up on specific reports for potential public health hazards and for regulatory actions.

- Continue the Drug Shortage Monitoring Program in cooperation with the American Society of Hospital Pharmacists.
- Take appropriate legal actions based upon inspections and related drug product sample examinations.
- Continue participation in the Government-Wide Quality Assurance Program and respond to approximately 6,700 requests for evaluations of the ability of designated drug establishments to manufacture drugs in compliance with regulatory requirements of FDA and certain non-regulatory, contractual requirements of the purchasing agencies.
- Improve laboratory methods of analysis needed to assure the quality of specific drug entities.
- Update existing quality assurance profiles and develop new profiles to provide current information on operating conditions and regulatory status of drug establishments.
- Register about 13,500 drug establishments and update the listing of 18,000 drug products.
- Publish the 1985 National Drug Code Directory and semi-annual supplements.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Conducted 3,900 inspections of human drug establishments, including approximately 3,500 GMP inspections to assure compliance with the CGMP regulations and other standards related to drug quality assurance.
- Collected 2,850 imported drug product samples to ensure compliance with quality standards, labeling, and drug listing requirements.
- Collected 9,700 and analyzed 7,350 domestic drug product samples to ensure compliance with quality standards.
- Completed 59 and initiated another 53 national drug surveys of significant therapeutic drug categories to determine conformance with quality specifications, taking remedial action as necessary.
- Received and evaluated 3,165 drug product problem reports.
- Continued the Drug Shortage Monitoring Program in cooperation with the American Society of Hospital Pharmacists; four Drug Shortage Drug Problems were identified and appropriate action taken.
- The following represents regulatory actions based upon the inspections and related assay activities of this project: recalls - 452; seizures - 45; regulatory letters - 90; injunctions - 3; and prosecutions - 7.

- Continued participation in the Government-Wide Quality Assurance Program; completed action on 7,260 inquiries from the Veterans Administration, Health Resources and Services Administration, Department of Defense, General Services Administration, and state governments.

- Developed 60 new methods for testing drug entities for use in the surveillance of drug quality.

- Continued implementation of the Quality Assurance Profile Program which provides the latest information on a particular firm's operating conditions and regulatory posture including inspections, samples collected, and regulatory action history.

- Registered 13,300 drug establishments and updated listings for 14,000 drug products.

- Published 3 NDC quarterly supplements to the 1982 National Drug Code Directory.

GENERIC DRUG STANDARDS

CURRENT ACTIVITIES

To improve the quality of public standards for human drugs published in official compendia, United States Pharmacopeia (USP) and National Formulary (NF), and increase the effectiveness of FDA's participation in the public standard developmental process, in 1986 FDA will:

- Maintain the Compendial Monographs Evaluation and Development (CMED) program to review and evaluate about 40 selected drug substances and their related dosage forms. Under the CMED program, selected drug products are evaluated for the adequacy of their existing compendial monographs, and appropriate revisions or new monographs are proposed to serve as public standards in the *USP* and *NF*.

  - Initiate and complete collaborative studies, including non-FDA participants, designed to validate proposed methodology developed under the CMED program.

  - Transmit about 10 completed and validated projects of the CMED program to the U.S. Pharmacopeial Convention, Inc. (USPC).

- Continue liaison with the USPC to coordinate all compendial standard issues and contribute to the establishment and revision of public standards through the continuing review of *Pharmacopeial Forum* (*PF*) and development of appropriate responses to compendial or FDA public standard initiatives.

- Collaborate on the establishment of dissolution standards on human drug products and resolve differences between compendial dissolution standards and in-vitro bioequivalence requirements.

- Assist in the development and revision of monographs for human and veterinary antibiotic drug products and publish a proposal for transfer of monograph publication from the Code of Federal Regulations to the USP.

- Maintain a program to validate methodology proposed for compendial monographs published in PF.

PAST ACCOMPLISHMENTS

In 1985, FDA accomplished the following activities:

- Maintained the Compendial Monographs Evaluation and Development (CMED) program to review and evaluate about 40 selected drug substances and their related dosage forms.
  - Initiated and completed collaborative studies, including non-FDA participants, designed to validate proposed methodology developed under the CMED program.
  - Transmitted 9 completed and validated projects of the CMED program to the U.S. Pharmacopeial Convention, Inc. (USPC).
- Continued liaison with the USPC to coordinate all compendial standard issues and contributed to the establishment and revision of public standards through the continuing review of Pharmacopeial Forum (PF) and development of about 210 responses to compendial or FDA public standard initiatives.
  - Collaborated on the establishment of dissolution standards on human drug products and resolved differences between compendial dissolution standards and in-vitro bioequivalence requirements.
  - Assisted in the development and revision of 104 monographs for human and veterinary antibiotic drug products that were published for public review and comment in the PF.
  - Collaborated with the USPC to establish new insulin standards applicable to the new highly purified insulins and those of synthetic origin.
- Maintained a program to validate methodology proposed for compendial monographs published in PF. Under this program, 26 methods were validated in FDA laboratories.

GENERIC DRUG EVALUATION

CURRENT ACTIVITIES

To ensure that new prescription and certain over-the-counter drug products subject to new drug application requirements and approved between 1938 and 1982 (the years of 1962 to 1982 have been added with the passage of the Drug Price Competition and Patent Term Restoration Act of 1984) are effective as well as safe; and to ensure that identical and acceptably similar and related products are properly manufactured, tested, labeled and are bioequivalent (if required) to a suitable reference product before marketing, in 1986 FDA will:

- Publish draft regulations implementing new abbreviated new drug application procedures under the Drug Price Competition and Patent Term Restoration Act.

- Receive 1,000 original abbreviated new drug applications, plus 20,000 resubmissions and amendments, supplements, reports and other correspondence for unapproved and approved abbreviated applications, and receive 100 Form 6 applications, plus 5,000 resubmissions, amendments, supplements, reports and other correspondence for unapproved and approved Form 6 applications. Submissions including those under review at the beginning of the year will be reviewed, evaluated, and appropriate action taken.

- Grant three hearings for five DESI products, deny nine hearing requests for 16 products, and hold three hearings for nine drug products.

- For drug products exempted under paragraph XIV of the 1972 Court Order, publish one follow up notice for the one DESI product that remains in that category.

- Continue surveillance and compliance follow-up on Final Orders affecting "named" DESI drug products, as well as "Identical", "Similar", or "Related" drug products to assure that for DESI "Effective" drug products, NDAs, ANDAs and required reports are submitted to FDA; and that DESI "Ineffective" and other related drug products found not to be in compliance are removed from the market. This action is expected to require the issuance of 60 regulatory letters and result in the removal of 85 DESI affected drug products from the market.

- Develop a comprehensive proposal for resolving the status of the remaining DESI and DESI-related or similar products and other pre-1962 products that are not subject to the 1972 Court Order. Included are products that, for various reasons, have never been evaluated for safety and/or efficacy.

- Publish initial safety and efficacy evaluations on 121 unapproved prescription drug products.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Received abbreviated new drug application (ANDAs) submissions as follows:

Original Applications	1,069
Resubmissions and Amendments	2,611
Supplements	3,296
Supplemental Amendments	2,846
Periodic Reports	4,224
Correspondence	2,319

Took appropriate actions on 19,281 submissions.

- Received Antibiotic (Form 6) Application submissions as follows:

Original Applications	90
Amendments	299
Supplements	1,298
Supplemental Amendments	100
Periodic Reports	932
Correspondence	2,287

Took appropriate actions on 4,029 submissions.

- Resolved four hearing requests for four DESI-related products, upgraded to effective seven reformulations, and three related products; published three DESI notices to withdraw seven DESI products; and held two hearings for three drug products.

- Monitored firms performing effectiveness studies on drug products exempted under paragraph XIV of the 1972 Court Order; completed evaluation of data submitted; published effectiveness classification conclusions on four of the five remaining exempted drug products and nine related products; including Final Orders withdrawing approval of NDAs for three of these products; and revised labeling and amended marketing conditions for ten products which provided "substantial evidence" data.

- Continued surveillance and compliance follow-up on Final Orders affecting "named" DESI drug products as well as "Identical", "Similar" or "Related" drug products to assure that for DESI "Effective" drug products, NDAs, ANDAs, and required reports were submitted to FDA; and that DESI "Ineffective" and other related drug products not found to be in compliance were removed from the market. This action resulted in the issuance of 102 regulatory letters.

- Developed policy for resolving the status of the remaining DESI and DESI-related or similar products and other pre-1962 products that are not subject to the DESI Court Order. Included are products that, for various reasons, have never been evaluated for safety and/or efficacy.

OVER-THE-COUNTER DRUG EVALUATION

CURRENT ACTIVITIES

To develop standards for the safety, effectiveness and labeling of all over-the-counter (OTC) drug products and to monitor their implementation, in 1986 FDA will:

- Develop, through agency clearance, proposed rules (PR) for the following categories of OTC drug products:

  - Anorectal
  - Antacid (Drug Interaction Warning)
  - Antidiarrheal
  - Antifungal (topical)
  - Antiseptic (First-Aid)
  - Antiseptic (Health-Care)
  - Benign Prostatic Hypertrophy
  - Cough/Cold (antihistamine) (amendment)
  - Cough/Cold (combinations)
  - Dandruff/Seborrheic Dermatitis/Psoriasis
  - Hormone (topical)
  - Laxative (amendment)
  - Menstrual Products
  - Oral Health Care (Non-antimicrobials)
  - Otic (Swimmer's Ear)
  - Pregnancy/Nursing Warning Requirement (amendment)
  - Vaginal Contraceptives

- Develop, through agency clearance, final rules (FR) for the following categories of OTC drug products:

  - Alertness Aid
  - Antacid (Overdose Warning Exemption)
  - Anthelmintic
  - Antiemetic
  - Cough/Cold (bronchodilator)
  - Cough/Cold (expectorant)
  - Nighttime Sleep-Aid
  - Ophthalmic
  - Oral Wound Healing
  - Topical Antibiotics

- Develop and publish the following OTC related documents:

  - Exclusivity of Labeling (FR)
  - Exclusivity of Labeling for OTC Products Subject to NDA (PR)
  - First Aid Antibiotics/Exemption from Certification (FR)
  - Statement of Identity for OTC Drugs (Amendment) (PR)

- Review and evaluate protocols and submissions received from manufacturers on Category III testing data.

- Review and evaluate other submissions, such as petitions for amendments to, or exemptions and deviations from, final monographs or other OTC drug regulations.

- Review Rx to OTC switch requests.

- Review the labeling of OTC drug products for approval via new drug applications.

- Continue surveillance of marketed OTC drug products and take appropriate action against violative products or those products representing serious health hazards.

- Develop and implement compliance programs for the various categories of drug products for which final rules are published.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Developed, through Agency clearance, proposed rules (PR) for the following categories of drug products:
  - Anticaries
  - Exocrine Pancreatic Insufficiency
  - Leg Muscle Cramps

- Developed, through agency clearance, final rules (FR) for the following drug product category:
  - Cough/Cold (anticholinergic)
  - Oral Insect Repellants

- Developed and published the following OTC related document:
  - Exclusivity of Labeling (PR)
  - First Aid Antibiotics/Exemption from Certification (PR)

- Reviewed and evaluated protocols and submissions received from manufacturers on Category III testing data.

- Reviewed and evaluated other submissions, such as petitions for amendments to, or exemptions and deviations from, final monographs or other OTC drug regulations.

- Reviewed Rx to OTC switch requests.

- Reviewed the labeling of OTC drug products for approval via new drug applications.

- Continued surveillance of marketed OTC drug products and took appropriate action against violative products or those products representing serious health hazards.

- Developed and implemented compliance programs for the various categories of drug products for which final rules were published.

BIOPHARMACEUTICS

CURRENT ACTIVITIES

To develop biopharmaceutic policies, procedures and specifications for new chemical entities, generic drugs and specialized drug-delivery systems to serve as guidelines for drug submissions, and as a basis for regulatory action, in 1986 FDA will:

- Review approximately 1,900 Investigational New Drug Exemptions, New Drug Applications (NDA), NDA Supplements, Abbreviated New Drug Applications (ANDA), and Antibiotic Forms 5 and 6 to assure that the subject drugs are bioavailable and/or bioequivalent.

- Hold two public workshops to clarify complex and controversial bioavailability/bioequivalence issues.

- Develop _in vitro_ methods and specifications for 25 new dissolution requirements for issuance as requirements for new drug application approval and/or compendia specifications. At least two of these methods and specifications will be used to ensure the bioequivalence of such drugs to eliminate the necessity for future testing in human subjects as a means of seeking drug product approval from FDA.

- Complete dissolution test method development and performance analysis on all brands of tablets and capsules of ten multiple-source drugs (approximately 60 drug products) which pose high potential bioequivalence problems and for which no currently published bioavailability related _in vitro_ (dissolution) methods exist. Such new test methods will ultimately be proposed as compendial drug product standards to assure product uniformity on a batch-to-batch basis.

- Complete dissolution validation testing in two or more FDA laboratories involving the testing of over 25 products.

- Complete the development of new _in vivo_ methods for one active ingredient, and perform _in vivo_ bioequivalence studies on selected brands of four generic drugs using new or improved methods.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities

- Reviewed 1,910 Investigational New Drug Exemptions, New Drug Applications, NDA Supplements, Abbreviated New Drug Applications, and Antibiotic Forms 5 and 6 to assure that the subject drugs were bioavailable and/or bioequivalent.

- Held one public workshop to clarify complex and controversial bioavailability/bioequivalence requirements.

- Developed in vitro methods and specifications for 28 new dissolution requirements for issuance as requirements for new drug application approval and/or compendia specifications. At least two of these methods and specifications were used to ensure the bioequivalence of such drugs to eliminate the necessity for future testing in human subjects as a means of seeking drug product approval from FDA.

- Completed dissolution test method development and performance analysis on all brands of tablets and capsules of 10 multiple-source drugs (approximately 60 drug products) which posed high potential bioequivalence problems and for which no currently published bioavailabity related in vitro (dissolution) methods existed. Such new test methods will ultimately be proposed as compendial drug product standards to assure product uniformity on a batch-to-batch basis.

- Completed dissolution validation testing involving the testing of over 25 products.

- Completed the development of new in vivo methods for one active ingredient and performed in vivo bioequivalence studies on selected brands of four generic drugs using new or improved methods.

HUMAN DRUGS: BIORESEARCH MONITORING

CURRENT ACTIVITIES

To ensure that clinical and non-clinical investigations are conducted in a scientific manner and are reported accurately; that documents submitted to FDA demonstrate the safety and effectiveness of drugs and biological products; that the rights and welfare of human subjects participating in drug and biologics trials are being protected; and that the standards of medical care established for the methadone treatment of narcotic addiction are complied with, in 1986 FDA will:

- Conduct inspections and complete review of inspection reports as follows:

65	Non-Clinical Laboratories
220	Institutional Review Boards
57	Sponsors, Contract Research Organizations and Monitors
258	Clinical Investigators
14	Biopharmaceutics Laboratories
19	Radioactive Drug Research Committees

- Evaluate and make necessary revisions in the compliance programs of the Bioresearch Monitoring program.

- Conduct necessary follow-up inspections and other compliance activities as a result of violations observed during inspections. Some inspectional findings may question data submitted to FDA and require intensive analysis of New Drug Applications, Notices of Claimed Exemptions for Investigational New Drugs, Drug Master Files, and other applications or petitions.

- Take necessary regulatory actions as indicated, such as disqualification of clinical investigators, institutional review boards or institutions, recommendations to the Department of Justice for criminal prosecution, and rejection of invalid studies and studies not conducted in compliance with FDA's regulations.

- Provide guidance to Institutional Review Boards to explain FDA and Health and Human Services (HHS) regulations in order to assure adequate protection of human subjects of research.

- Continue to maintain and update the inventory of bioresearch organizations and locations.

- Review and evaluate 72 new and relocation methadone treatment program and hospital applications.

- Review and evaluate all active narcotic treatment program applications for which submissions of updated information are received to ensure that applicants meet the requirements upon which approval was granted.

- Consult with the Drug Enforcement Administration concerning the approval status of all applications for registration as narcotic treatment programs, hospital detoxification programs, alternative methods of distribution and alternate dispensing sites.

- Consult with the National Institute on Drug Abuse (NIDA) concerning patient exceptions, program exemptions, non-compliant narcotic treatment programs, policies and precedent-setting situations resulting from the enforcement of the Narcotic Treatment Standards.

- Review, evaluate, and approve or deny requests from narcotic treatment programs for individual patient exceptions and program exemptions from specific requirements of the Narcotic Treatment Standards.

- Inspect 40 narcotic treatment programs to determine compliance with the Narcotic Treatment Standards.

- Publish a Directory of Narcotic Treatment Programs.

- Publish joint FDA/NIDA final revisions to the Narcotic Treatment Standards.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following:

- Conducted inspections and completed review of inspection reports as follows:

72	Non-Clinical Laboratories
226	Institutional Review Boards
43	Sponsors, Contract Research Organizations and Monitors
341	Clinical Investigators
11	Biopharmaceutics Laboratories
19	Radioactive Drug Research Committees

- Evaluated and made necessary revisions in the compliance programs of the Bioresearch Monitoring Program.

- Conducted and reviewed 54 "for cause" inspections and other compliance activities. Some inspectional findings questioned data submitted to FDA and required intensive analysis and re-evaluation of New Drug Applications, Notices of Claimed Exemptions for Investigational New Drugs, Drug Master Files, and other applications or petitions.

- Took necessary regulatory actions as indicated. Four clinical investigators were disqualified in 1985 and two were restricted in their use of investigational drugs. One clinical investigator was convicted of criminal violations of Federal law.

- Provided guidance to Institutional Review Boards to explain FDA and HHS regulations in order to assure adequate protection of human subjects of research.

- Maintained and updated the inventory of bioresearch organizations and locations.

- Reviewed, evaluated, and approved 73 new and relocation methadone treatment program and hospital applications.

- Reviewed and evaluated 292 narcotic treatment program applications for which submissions of updated information were received to ensure that applicants met the requirements upon which approval was granted.

- Consulted with the Drug Enforcement Administration concerning the approval status of all applications for registration as narcotic treatment programs, hospital detoxification programs, medication units, alternative methods of distribution and alternate dispensing sites.

- Consulted with the National Institute on Drug Abuse (NIDA) concerning patient exceptions, program exemptions, non-compliant narcotic treatment programs, policies and precedent-setting situations resulting from the enforcement of the Narcotic Treatment Standards.

- Reviewed and evaluated 550 requests from narcotic treatment programs for individual patient exceptions and program exemptions from specific requirements of the Narcotic Treatment Standards.

- Conducted 84 inspections and reinspections of narcotic treatment programs to determine compliance with the Narcotic Treatment Standards, and reviewed and evaluated 146 narcotic treatment program inspection reports and took necessary action to bring non-compliant programs into compliance.

- Published a Directory of Narcotic Treatment Programs.

DRUG EXPERIENCE AND TRENDS ANALYSIS

CURRENT ACTIVITIES

To establish a scientific basis for determining risk and supporting regulatory activities through monitoring short- and long-term effects of drugs, as well as the extent of their utilization, in 1986 FDA will:

- Continue to implement the FDA Action Plan Goal to strengthen FDA postmarketing surveillance activities.
    - Monitor and evaluate state contracts (Rhode Island and Maryland) for impact on direct reporting of adverse drug reactions by physicians.
    - Continue to implement the plan to incorporate new information technologies into the Adverse Reaction Reporting System to facilitate processing, retrieval and analysis of ADR data.
    - Continue research on the use of advanced technology for storage and retrieval of adverse drug reaction reporting forms and related supplemental medical information. Implement equipment changes as feasible.
    - Monitor compliance with adverse drug reactions reporting requirements of revised NDA regulations including initiating an appropriate compliance program and revising draft guidelines.
    - Issue regulations to require reporting of adverse drug reactions for biologics and drugs without approved New Drug Applications.

- Evaluate and process about 38,300 adverse drug and biological experience reports received from drug manufacturers, individual health practitioners, hospitals, and consumers, placing special emphasis on report analysis.

- Continue to improve the adverse experience report processing system by encouraging manufacturers to submit routine reports and computer tapes compatible with FDA's computer system. Develop computer system checks to assure that all adverse reactions reports for newly approved drugs are completely and accurately entered into the computer.

- Monitor the utility of the remaining two registries on adverse effects: National Registry of Drug-Induced Ocular Side Effects and the National Dermatology Registry of the American Academy of Dermatology.

- Monitor the use of cooperative agreements to obtain estimates of adverse reaction rates; improve the quality and timeliness of risk estimates and provide a basis for hypothesis testing of issues identified by the present alert procedures and other sources, such as scientific literature. Special attention will be given to the Boston Collaborative Drug Surveillance program's monitoring of hospitalized patients and studies of drug-disease association in Puget Sound HMO patients, the Drug Epidemiology Unit, the Mayo Clinic and several Medicaid-related proposals, e.g., University of Pennsylvania, Health Information Design and Vanderbilt University.

- Continue to acquire drug use information to assess adverse drug reactions, including newly marketed drugs, and publish a report on 1984 Drug Utilization in the U.S.

- Publish a 1985 Annual Review of Adverse Reaction Reports and a 1985 report of poisonings reported to FDA.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Began to implement the FDA Action Plan Goal to strengthen FDA post-marketing surveillance activities. Related activities were:
  - Initiated a plan to increase quality and quantity of drug reporting from health professionals.
  - Awarded contracts to the states of Rhode Island and Maryland to conduct pilot studies of physician-based adverse reaction reporting.
  - Initiated a plan to incorporate new information technologies into the Adverse Reaction Reporting System to facilitate processing, retrieval and analysis of adverse reaction data. Redesigned the adverse reaction reporting form and associated computer entry procedure to eliminate unused or rarely used data.

- Initiated research on the use of advanced technology for storage and retrieval of adverse reaction reporting forms and related documents, including a laser disk approach to replace the current microfilm method.
- Began monitoring and evaluating the implementation of the adverse reactions reporting sections of the revised NDA guidelines.
- Developed guidelines and conducted a workshop with industry specifying their adverse reactions reporting requirements in in the revised NDA reporting regulations.
- Developed draft mandatory adverse reactions reporting requirements for biologics and drugs without approved New Drug Applications.

- Evaluated and processed about 40,000 adverse drug and biological experience reports received from drug manufacturers and individual health practitioners, hospitals, and consumers.
- Eliminated a backlog of 20,000 adverse drug reaction reports.
- Evaluated the usefulness of and renegotiated the scope of work for the Registry of Drug-Induced Ocular Side Effects.
- Awarded five cooperative agreements to improve the quality and timeliness of risk estimates and to provide a basis for hypothesis testing of issues identified by the present alert procedures and other sources, such as the Boston Collaborative Drug Surveillance program's monitoring of hospitalized patients and studies of drug-disease association in Puget Sound HMO patients; the collection of information on drug use and experience at three pediatric wards of the Boston Children's Hospital Center; the Drug Epidemiology Unit of Boston University and its study of effects of drugs used by patients prior to hospitalization; and the study of Title XIX Medicaid Management System as a tool for postmarketing surveillance.
- Continued to acquire drug use information to assess drug reactions, including marketed drugs, and published a report on the 1984 Drug Utilization in the U.S.

PRESCRIPTION DRUG ADVERTISING AND LABELING

CURRENT ACTIVITIES

To ensure that prescription drug information disseminated to physicians is accurate and not misleading; and to improve human prescription drug labeling and prescribing by establishing scientific standards for human prescription drug labeling, by monitoring industry compliance with standards and by disseminating labeling information to the health care community and the public, in 1986 FDA will:

Prescription Drug Advertising

- Monitor 20,000 prescription drug advertisements and 9,000 promotional labeling pieces for compliance with applicable laws and regulations, and initiate corrective action on any advertising violations.

- Perform in-depth reviews on 175 advertisements and 650 labeling pieces which should result in the cancellation of 75 advertisements and 100 promotional labeling pieces.

- Review 6,000 submissions of advertisements and promotional labeling pieces associated with drugs covered by New Drug Applications (NDAs).

- Review 10 proposed package labeling submissions and 50 proposed promotional campaigns as part of the NDA approval process.

- Issue advisory opinion letters to industry and conduct advisory meetings.

- Study direct-to-the-consumer promotion of presciption drug products.

Prescription Drug Labeling

- Review labeling supplements on which action was stayed or delayed during the physician labeling revision program.

- Continue revision of the prescription drug labeling regulations.

- Analyze data regarding patient information and education, using information collected through the national patient study. Studies of geriatric, pediatric, and other populations will be undertaken.

- Analyze and report on studies with the Pharmaceutical Advertising Council on health fraud and plan Reye's Syndrome follow-up study.

- Complete analysis of data on direct-to-consumer promotion of prescription drugs.

- Continue to assist drug manufacturers and medical, pharmacy, and consumer organizations who want to develop patient labeling or information or alternative methods of providing drug use information.

- Participate in interagency activities with the National Institute on Aging in the development of geriatric labeling and in the gathering of information on drug studies in the geriatric population.

- Develop methods for gathering and disseminating drug information to consumers and health professionals through conferences, workshops, public service announcements, and the Patient Education Resource Center; prepare the Prescription Drug Information and

Education Programs and Resources Directory and continue to work with private sector organizations such as the National Council on Patient Information and Education (NCPIE). Participate in fourth annual NCPIE meeting and promote use of the above directory.

- Continue review of class labels.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

Prescription Drug Advertising

- Monitored 22,100 prescription drug advertisements and 10,894 promotional labeling pieces for compliance with applicable laws and regulations, and initiated corrective action by issuing 182 Notice of Violation letters, one Regulatory Letter and holding 81 Regulatory Opinion conferences.

- Performed in-depth reviews on 178 advertisements and 1,207 promotional labeling pieces which resulted in the cancellation of 77 advertisements and 92 promotional labeling pieces.

- Reviewed 5,136 submissions of advertisements and promotional labeling pieces associated with drugs covered by New Drug Applications (NDAs).

- Reviewed one proposed package labeling submission and 56 proposed promotional campaigns as part of the NDA approval process.

- Issued 266 advisory opinion letters to industry and conducted 80 advisory meetings.

Prescription Drug Labeling

- Continued to implement the physician labeling revision program to upgrade all prescription drug package inserts by reviewing 120 submissions of revised labeling from NDA holders.

- Reviewed and drafted a proposed revision of the content and format of the physicians drug labeling regulations. Of particular importance is the addition of a section on "Geriatric Use."

- Developed specialized labeling information for pediatric and geriatric groups as a result of class labeling documents.

- Planned a nationwide study of Health Fraud knowledge among the general population and planned and conducted a study of Reye's Syndrome knowledge. Began analysis of physician and consumer baseline attitudes about Health Fraud data obtained in conjunction with the Pharmaceutical Advertising Council anti-quackery campaign.

- Completed a national survey of consumer response to the promotion of prescription drugs directly to the consumer.

- Continued to cooperate with those drug manufacturers, medical, pharmacy, or consumer organizations who requested assistance in the development of patient labeling or information or alternative methods of providing drug use information.

- Participated in interagency activities with the National Institute on Aging for the development of geriatric labeling and in the gathering of information on drug studies in the geriatric population.

- Developed methods for gathering and disseminating drug information to consumers and health professionals through conferences, workshops, public service announcements, and the Patient Education Resource Center, began work on the Prescription Drug Information and Education Programs and Resources Directory and continued work with the National Council on Patient Information and Education on methods to distribute the "Ask Your Doctor" program.

- Submitted nine guideline class labels for final review.

- Evaluated information collected through the national patient study and a survey of physician and pharmacist interactions with patients to establish baseline data for further patient information and education research.

BLOOD AND BLOOD PRODUCTS

CURRENT ACTIVITIES

To ensure that blood and blood products are safe, effective and properly labeled for their indicated medical use, in 1986 FDA will:

- Continue the review of regulations pertaining to blood and blood products to ensure that they are scientifically sound, provide for acceptable alternative procedures wherever possible and do not have unnecessary adverse economic impact on the industry.

- Conduct annual registration of blood and blood products manufacturers and compare registration data with the Health Care Financing Administration (HCFA) inspection data to aid in eliminating possible duplication of inspections.

- Conduct 765 scheduled inspections of facilities licensed to manufacture products for interstate commerce and 500 scheduled inspections of registered blood establishments conducting intrastate business to assure compliance with current applicable regulations.

- Review license applications and amendments for new and licensed products and prepare proposed and final standards.

- Review 1,600 IND applications and supplements. Organize and participate in discussions with sponsors, related to production and clinical protocols.

- Conduct 38,300 tests for potency, safety, sensitivity/specificity on biologics submitted for release.

- Continue to monitor closely the status of acquired immune deficiency syndrome (AIDS) and the association with blood products and respond appropriately as new information becomes available.

- Continue to asssess improved test methodology for Anti-HTLV-III detection and "confirmatory" tests. (HTLV-III is the virus related to AIDS and the presence of antibody to this virus may indicate lack of safety of blood products and plasma derivatives.)

- Plan to implement recommendations/regulations for high-risk donor exclusion and for donor testing for HTLV-III antibodies.

- Monitor blood banks and plasma centers to determine if they are using FDA licensed HTLV-III antibody detection reagents to test all units of blood and plasma. This monitoring was formalized on October 1, 1985.

- Continue to evaluate new HTLV-III blood test reagents during the research and development phase (under IND) and biologic product license applications.

- Conduct scientific and regulatory education of newly developed test reagents in the detection of HTLV-III and/or antibody during research and development and product license application.

- Monitor and participate in studies involving plasma fractionation methods to assure that such processes yield products free of viral infectivity. Particular attention is devoted to globulin production methods.

- Study (long-term) blood donors tested for HTLV-III antibodies and found to be positive. This work is directed at defining the significance of such results in establishing appropriate correlations with the disease (AIDS) process.

- Monitor of HTLV-III antibody testing data generated by facilities using the test. This relates primarily to use in blood banks and plasma centers.

- Provide information regarding the effectiveness of the HTLV-III test in making blood products safe to organizations representing blood recipients and blood collection groups.

- Continue studies which correlate immunoglobulin fragmentation during storage (i.e. - product stability) with effective potency of the specific antibodies contained in Immune Serum Globulin products and publish revised product standards to incorporate new knowledge.

- Continue review of all source plasma donor immunization programs and procedures and planning to publish revised guidelines.

- Amend recommendations for blood and plasma collecting facilities regarding most current and sound mechanisms which should be used to reduce the risks of transmitting infectivity through blood and plasma products.

- Develop standards and analytical methods for control of hepatitis B vaccine and hepatitis B immune globulin, using *in vitro* approaches and the chimpanzee animal model system.

- Monitor evolving data in plasticizers used in containers for blood and blood products.

- Continue the long-term evaluation of the consequences of post-transfusion hepatitis in recipients of blood and blood products and chronic hepatitis B virus infection in donors.

- Continue the long-term evaluation of the high exposure of blood and blood products in hemophiliacs and laboratory evaluation of the possible adulteration of blood and blood products with components of plastic containers.

- Continue to update guidelines and laboratory test methods for monoclonal *in vitro* diagnostic reagents.

- Continue the development and utilization of animal model systems for assessing the safety and effectiveness of coagulation products.

- Continue efforts initiated in 1986 to develop probes to detect the virus in sera with HTLV-III antibody (ies); and members of high-risk groups.

- Continue research to improve storage time and efficacy of platelets, red blood cell products and leukocyte concentrates, thereby resulting in decreased exposure to multiple donors.

- Evaluate new methods to assure freedom of plasma derivatives from contamination with etiologic agents.

- Develop programs to better regulate plasmapheresis and cytopheresis operations and develop revised standards for these procedures.

- Explore animal model, serological, and tissue culture approaches to better define the causative agent in non-A, and non-B hepatitis.

- Conduct studies to correlate the effects of manufacturing processes, particularly pasteurization, and *in vivo* survival of albumin products.

- Continue to develop programs for regulation of new products (e.g., prepared by hybridoma technology, recombinant DNA derived, synthetic polypeptides, etc.) including publishing guidelines and defining Good Manufacturing Practices for these products.

- Continue to develop basic and directed research programs to evaluate new methods of treating plasma proteins to reduce potential infectivity.

- Continue to develop a scientific base for regulation of new, potentially useful plasma or cellular derived proteins such as antithrombin-III, Alpha-1-protease inhibitor, cholinesterase, ferritin, ceruloplasmin, fibronectin, hematin, erythropoietin, C1-inactivator, Protein C, etc.

- Continue to review criteria for the safety and efficacy of red blood cells for transfusion.

- Continue to establish safety and efficacy criteria for evaluation of cell separators labeled for use in preparing blood products for human use to assure a uniform approach to pre-market evaluation studies.

PAST ACCOMPLISHMENTS

During 1985, to insure that blood and blood products were safe and effective and appropriately labeled, FDA accomplished the following:

- Reviewed regulations pertaining to blood and blood products to ensure that they are scientifically sound, provide for acceptable alternative procedures wherever possible and do not have unnecessary adverse economic impact on the industry.

- Conducted annual registration of blood and blood products manufacturers and compare registration data with HCFA inspection data to aid in eliminating possible duplication of inspections.

- Conducted 872 inspections of facilities licensed to manufacture products for interstate commerce and 513 inspections of registered blood establishments conducting intrastate business to assure compliance with current applicable regulations.

- Reviewed license applications and amendments for new and licensed products and prepared proposed and final standards.

- Reviewed 1,700 INDs; organized and participated in discussions with manufacturers related to production and clinical protocols.

- Conducted 40,176 tests for potency, pyrogens, safety and sterility on blood product samples submitted for release.

- Licensed the five HHS licensees for the commercial production of the first HTLV-III antibody detection test kits.

- Initiated and implemented a program of quality control testing for newly developed/licensed HTLV-III antibody detection Test Kits.

- Monitored closely the status of acquired immune deficiency syndrome (AIDS) and the association with blood products and responded by issuing guidelines to Blood Collecting Establishments and organizing public forums as new information became available. Also coordinated the application of methods to reduce the potential for transmission of AIDS by blood products.

- Analyzed the data from the PHS study of 30,000 blood and plasma donor samples in conjunction with the development, evaluation and licensing of test methodology for Anti-HTLV-III. (HTLV-III is the virus related to AIDS and antibody to this virus may impact on the safety of blood products and plasma derivatives.)

- Performed studies which correlate immunoglobulin fragmentation during storage (i.e. - product stability) with effective potency of the specific antibodies contained in Immune Serum Globulin products and develop revised product standards to incorporate new knowledge.

- Provided information regarding the effectiveness of the HTLV-III test in making blood products safe to organizations representing blood recipients and blood collection groups.

- Evaluated new HTLV-III blood test reagents during the research and development phase (under IND) and biologic product license applications.

- Reviewed source plasma donor immunization programs and procedures and began developing updated criteria to assure safety and efficacy.

- Revised (updated) recommendations for blood and plasma collecting facilities regarding mechanisms which should be used to reduce the risks of transmitting the AIDS related virus through blood and plasma products.

- Initiated studies in the development of standards and analytical methods for quality control of hepatitis B vaccine and hepatitis B immune globulin, using in vitro approaches and the chimpanzee animal model system.

- Continued the long-term evaluation of the consequences of post-transfusion hepatitis in recipients of blood and blood products and chronic hepatitis B virus infection in donors.

- Continued the long-term evaluation of the high exposure of blood and blood products in hemophiliacs and laboratory evaluation of the possible adulteration of blood and blood products with components of plastic containers.

- Continued development and refinement of guidelines and laboratory test methods for monoclonal in vitro diagnostic reagents.

- Continued the development and utilization of animal model system for judging the safety and effectiveness of coagulation products.
- Performed studies to improve storage time and efficacy of platelets, red blood cell products, and leukocyte concentrates.
- Developed a device (noninvasive) for assessing platelet efficacy. Described new morphologic changes in platelets stored for extended periods.
- Continued the evaluation of new methods to assure freedom of plasma derivatives from contamination with etiologic agents.
- Addressed programs to better regulate plasmapheresis and cytopheresis operations and develop revised standards for these procedures.
- Conducted studies related to non-A, non-B hepatitis including continued development work on assay for reverse transcriptase which correlates with presence of the putative agent (retrovirus) responsible for non-A, non-B hepatitis.
- Conducted studies to correlate the effects of manufacturing processes, particularly pasteurization, and *in vivo* survival of albumin products.
- Initiated research programs for regulation of new products (e.g., prepared by hybridoma technology, recombinant DNA derived, synthetic polypeptides, etc.) including publishing guidelines and defining good manufacturing practices for these products.
- Initiated research in the evaluation of methods of treating plasma proteins to reduce their potential infectivity.
- Reviewed criteria for evaluation of the safety of red blood cells for transfusion. Revisions were implemented as a result of a workshop on this topic.
- Initiated a program for establishing safety and efficacy criteria for evaluation of cell separators labeled for use in preparing blood products for human use to assure a uniform approach to premarket evaluation studies.

VIRAL AND RICKETTSIAL PRODUCTS

CURRENT ACTIVITIES

To ensure that viral and rickettsial products are safe, effective and properly labeled, in 1986 FDA will:

- Inspect nine licensed establishments holding a total of 27 licenses for 20 viral and rickettsial products.

- Review manufacturing protocols submitted for an estimated 800 product lots and conduct approximately 7,000 tests on samples submitted for release on a lot-by-lot basis for sterility, safety potency, pyrogen, residual moisture and chemical determinations.
- Review labeling and package inserts to determine that viral products are properly labeled.
- Review 1,200 laboratory and clinical data submissions for Investigational New Drug Applications.
- Review data submissions in support of establishment and product license applications and amendments.
- Continue immunologic and virologic studies on patients with acquired immune deficiency syndrome (AIDS) and related opportunistic diseases.
- Study the mechanisms of virus infection and vaccine protection against disease.
- Study the relationship of measles infection and immunization to the development of subacute sclerosing panencephalitis, a lethal neurologic disease.
- Conduct laboratory and clinical investigations to further evaluate the safety and effectiveness of influenza vaccines in certain high-risk groups.
- Continue to evaluate the molecular biology of virus infections.
- Continue research on the genetic basis for attenuation of viruses used for the production of living virus vaccines.
- Continue the evaluation of rabies vaccine potency testing of cell culture vaccines, modification of the _in vivo_ potency test, and development of _in vitro_ assay procedures.
- Continue collaborative study with the World Health Organization to assure adequacy of methods of measuring potency of influenza virus vaccine.
- Continue to evaluate products derived from genetic engineering and monoclonal antibodies and investigate their potential usefulness in the treatment of viral diseases.
- Continue to study the role of interferon in the treatment of viral diseases.
- Conduct testing program for the detection of extraneous viruses that might be present in vaccines and apply newer techniques for their detection.

- Continue to validate the new criteria developed for evaluation of the results of neurovirulence test for oral poliovirus vaccine. Complete the revision of amendments to the poliovirus vaccine additional standards.

- Continue to develop electron microscopic techniques to assess the purity of recombinant DNA genes and gene products.

- Continue to evaluate the safety and efficacy of potential candidate cytomegalovirus, herpes simplex and varicella-zoster virus vaccines.

- Continue to develop improved methods of evaluating the potency and immunogenicity of inactivated poliomyelitis vaccines.

- Develop and apply in vitro alternatives to animal tests for tumorgenicity.

- Continue to evaluate the mechanisms of action of lymphokines and evaluate their safety and effectiveness.

- Continue to evaluate the mechanisms of action of experimental hepatitis A and rotavirus vaccines.

- Continue cell biology research to study new methods for vaccine production and new biologics relevant to viral diseases.

- Continue to study the applications of cytokines in virology and their role in immunity to viruses.

- Continue to study the biology of human T lymphotropic viruses and the potential safety and effectiveness of various methods for vaccination.

- Continue to study the replication of human T lymphotropic virus, Type III (HTLV-III), important antigens, pathogenesis of infection, animal models, safety of blood products, and efficacy of antibody tests.

PAST ACCOMPLISHMENTS

During FY 1985 FDA accomplished the following activities:

- Inspected nine licensed establishments holding a total of 27 licenses for 20 viral and rickettsial products.

- Reviewed manufacturing protocols submitted for about 700 product lots and conducted approximately 7,500 tests on samples submitted for release on a lot-by-lot basis for sterility, safety, potency, pyrogen, residual moisture and chemical determinations.

- Reviewed labeling and package insert submissions to determine that viral products are properly labeled.

- Reviewed 1,176 laboratory and clinical data submissions for Investigational New Drug Applications.

- Reviewed data submissions in support of establishment and product license applications and amendments.

- Continued immunologic and virologic studies on patients with acquired immune deficiency syndrom (AIDS) and related opportunistic diseases.

- Studied the mechanisms of virus infection and vaccine protection against disease.

- Studied the relationship of measles infection and immunization to the development of subacute sclerosing panencephalitis, a lethal neurologic disease.

- Conducted laboratory and clinical investigations to further evaluate the safety and effectiveness of influenza vaccines in certain high-risk groups.

- Continued to evaluate the molecular biology of virus infections.

- Continued research on the genetic basis for attenuation of viruses used for the production of living virus vaccines.

- Continued the evaluation of rabies vaccine potency testing of cell culture vaccines, modification of the in vivo potency test, and development of in vitro assay procedures.

- Continued collaborative study with the World Health Organization to improve methods of measuring potency of influenza virus vaccine.

- Continued to evaluate products derived from genetic engineering and monoclonal antibodies and investigate their potential usefulness in the treatment of viral diseases.

- Continued to study the role of interferon in the treatment of viral diseases.

- Conducted testing for the detection of extraneous viruses that might be present in vaccines.

- Continued validation of the new criteria developed for evaluation of the results of neurovirulence test for oral poliovirus vaccine as a prerequisite to amending the poliovirus vaccine additional standards.

- Initiated research to develop electron microscopic techniques to assess the purity of recombinant DNA genes and gene products.

- Continued to evaluate the safety and efficacy of potential candidate cytomegalovirus, herpes simplex and varicella-zoster virus vaccines.

- Continued to develop improved methods of evaluating the potency and immunogenicity of inactivated poliomyelitis vaccines.

- Developed and applied in vitro alternatives to animal tests for tumorgenicity.

- Continued to evaluate the mechanisms of action of lymphokines and evaluate their safety and effectiveness.

- Continued to evaluate the mechanisms of action of experimental hepatitis A and rotavirus vaccines.

- Continued a cell biology research program to study new methods for vaccine production.

- Continued to study the applications of cytokines in virology and their role in immunity to viruses.

- Continued a program to study the biology of human T lymphotropic viruses, and potential mechanisms of action of vaccines.

- Initiated a program to study the replication of human T lymphotropic virus, Type III (HTLV-III), important antigens, pathogenesis of infection, animal models, safety of blood products and efficacy of antibody tests.

BACTERIAL AND ALLERGENIC PRODUCTS

CURRENT ACTIVITIES

To ensure the safety and efficacy of Bacterial and Allergenic Products in 1986 FDA will:

- Conduct 39 inspections of manufacturing establishments producing bacterial and allergenic products.

- Perform or examine approximately 5,600 control tests for potency, sterility, general safety, freedom from toxicity, chemical analysis, and tests for specific residual chemicals and moisture.

- Develop analytic techniques for measuring the purity, safety, composition, and potency of licensed vaccines.

- Develop techniques for measuring the purity, safety, composition, and potency of vaccines and other products which are biological investigational new drugs, such as H. influenzae type b polysaccharides, singly or as protein conjugates; acellular pertussis vaccines; live or synthetic oral typhoid vaccines and malarial vaccines.

- Develop in vitro and in vivo methods applicable to the characterization and evaluation of potency and effectiveness of allergenic extracts. Hold workshops on the application of these methods so that products entering the market are standardized.

- Conduct clinical studies to evaluate the biological activity of allergenic extracts and apply the information to their standardization.

- Continue research on allergenic extracts, such as those of animals, insects, pollens, molds, or foods, to identify important allergens.

- Develop new techniques for the prevention of bacterial meningitis and for the evaluation of vaccine candidates for immunization against bacterial meningitis, including studies of noncapsular surface antigens and antibodies.

- Continue research related to bacterial polysaccharides which may be important virulence factors or vaccine candidates, such as those from *Neisseria*, *Haemophilus*, *E. coli*, *Streptococcus*, *Klebsiella*, and *Staphylococcus*.

- Continue studies on the genetics of bacterial virulence factors such as toxins and capsular polysaccharides, including the use of synthetic oligonucleotides.

- Study the interaction of tetanus toxin with cells and membranes to identify receptors and/or mechanisms of action and the pathogenesis of disease caused by these toxins; continue to use tetanus toxin as a model for understanding other bacterial toxins and hormones.

- Refine *in vitro* methods to assay the clinical potency of new toxoid vaccines.

- Continue to expand the capacity to produce monoclonal antibodies against many different types of antigens (i.e. pertussis and tetanus toxins, polysaccharides, allergens, and tuberculins) for their use in defining bacterial or allergenic components which are related to disease pathogenesis or prevention.

- Study the development of more specific skin and serologic tests for use in the diagnosis of tuberculosis and related mycobacterial infections.

- Perform studies to evaluate the role of genetically determined markers in susceptibility to mycobacterial and other intracellular diseases.

- Study the role of mycoplasma or ureaplasma infections in human diseases, in particular, pulmonary, arthritic and urogential diseases.

- Develop techniques for the evaluation of vaccines against *Mycoplasma pneumoniae* and determine factors of the organism which are responsible for disease or important in disease prevention.

- Continue studies to develop more effective methods for identifying mycoplasma and detecting mycoplasma contaminants in culture fluids and in viral vaccines.

- Assay sera from subjects given various pertussis vaccines, and develop methods for measuring the potency and toxicity of whole, including experimental, acellular vaccines.

- Study the protective effect and toxicity of individual bacterial components isolated from Bordetella pertussis (e.g. adhesins, such as fimbriae), and support manufacturers' efforts to develop and make available new acellular pertussis vaccines.

- Assay sera obtained from clinical studies for antibodies to pertussis antigens.

PAST ACCOMPLISHMENTS

During 1985 FDA accomplished the following activities:

- Conducted 53 inspections of manufacturing establishments producing bacterial and allergenic products.

- Conducted 5,743 control tests for potency, sterility, general safety, freedom from toxicity, chemical analysis, and tests for specific residual chemicals and moisture.

- Developed analytic techniques for measuring the purity, safety, composition, and potency of licensed vaccines.

- Developed techniques that may be applicable to the assay of vaccines which are biological investigational new drugs.

- Co-sponsor an international seminar on the regulatory control and standardization of allergenic extracts.

- Developed in vitro and in vivo methods applicable to the characterization and evaluation of potency of allergenic extracts and held a workshop on the application of these methods. These efforts resulted in the approval of standardized extracts bearing a new allergy unit.

- Conducted clinical studies to evaluate the potency and efficacy of allergenic extracts, including the collection of data on atmospheric pollen counts.

- Continued research on allergenic extracts, such as cat, insects, pollens, and molds, to identify important allergens.

- Developed new techniques for preventing bacterial meningitis and for the evaluation of vaccine candidates for immunization against bacterial meningitis.

- Continued research related to bacterial polysaccharides that may be important virulence factors or vaccine candidates, such as those from Neisseria, Haemophilus, E. coli, Streptococcus, Klebsiella, and Staphylococcus.

- Continued studies on the genetics of bacterial virulence factors such as toxins and capsular polysaccharides.
- Studied the interaction of tetanus toxin with cells and membranes to identify receptors and/or mechanisms of action.
- Utilized monoclonal antibodies to help define bacterial components related to disease pathogenesis or prevention.
- Studied the development of more specific skin and serologic tests for use in the diagnosis of tuberculosis and related mycobacterial infections.
- Performed studies to evaluate the role of genetically determined markers in susceptibility to mycobacterial and other intracellular diseases.
- Studied role of mycoplasma and ureaplasma infections in human diseases, in particular, pulmonary, arthritis and urogenital diseases.
- Developed techniques for evaluating Mycoplasma pneumoniae vaccines for prevention of atypical pneumonia.
- Continued studies to develop more effective methods for testing mycoplasma contaminants in culture fluids and proposed regulations related to tests for these contaminants in viral vaccines.
- Continued to evaluate methods for measuring the potency and toxicity of whole cell and acellular vaccines against pertussis.
- Studied the protective effect and toxicity of individual bacterial components isolated from Bordetella pertussis; this work is applicable to the development of new acellular pertussis vaccines.
- Assayed sera obtained from clinical studies for antibodies to pertussis antigens.
- Approved one license application for H. influenza type b polysaccharide vaccine.
- Held a workshop on methods of determination of antibodies to H. influenza type b polysaccharide and, in collaboration with NIH, a workshop on polysaccharide conjugate vaccines.

HEALTH FRAUD: DRUGS AND BIOLOGICS

CURRENT ACTIVITIES

To detect health fraud products at an early stage in their promotion and to take necessary steps to remove such products from the market before the health of American consumers are adversely effected, in 1986 FDA will:

- .Issue public advisories as necessary to caution consumers who may be potentially victimized by fraudulent products.

- Participate in an estimated 10 workshops jointly with consumer trade associations and concerned professional associations in the business and scientific communities.

- Coordinate FDA health fraud activities with and provide assistance to the U.S. Postal Service, Federal Trade Commission, Securities and Exchange Commission, and state and local agencies who conduct health fraud investigations either jointly in cooperation with FDA or by themselves under statutes administered separately. Related actions are:

    - Conduct regional health fraud conferences in cities all across the country. These local conferences will serve as the impetus to develop new, and expand ongoing, health fraud activities and form coalitions with state and local officials, community groups, and professional organizations.

    - Hold a regional health fraud conference for Hispanic leaders along with the National Coalition of Hispanic Mental Health and Huamn Services Organizations. The conference to be held in San Antonio, Texas, will focus on the aspects of health fraud that are unique to, or have a special impact on, the Hispanic community.

    - Distribute materials on health fraud, including the joint FDA, FTC, and USPS health fraud brochure. Also, distribute the FDA and the Pharmaceutical Advertising Council public service campaign.

- Conduct, together with the Department of Health and Human Services, a national health fraud survey. The survey, will provide a more reliable measure of the reasons why consumers have used various fraudulent products. It will also explore attitudes and beliefs with reagrd to these products.

- Investigate drugs and biologicals with unwarranted claims which may pose direct or indirect health hazards or present a major economic fraud.

- Remove misrepresented health fraud products from the market in accordance with FDA policy.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

- Established a formal human drugs and biologics health fraud staff.

- Issued 18 public advisories including talk papers and press releases as necessary to caution consumers about potentially fraudulent products.

- Participated in eight workshops jointly with consumer trade associations and concerned professional associations in the business and scientific communities.

- Conducted three regional health fraud conferences together with the National Association of Consumer Agency Administrators, the Federal trade Commission, the Council of Better Business Bureaus, the U.S. Postal Service, the Arthritis Foundation, and the American Cancer Society.

- Cosponsored with the Federal Trade Commission and the U.S. Postal Service a National Health Fraud Conference in Washington, D.C. on September 11, 1985. The goal of the conference was to heighten the awareness of health fraud in America, and to facilitate the cooperation of the various concerned agencies in addressing the problem.

- Together with the Council of Better Business Bureaus, provided to various media sources (such as newspapers and television stations), important information for reviewing claims made in proposed advertising for health products or medical services.

- Developed, together with the Pharmaceutical Advertising Council, a public service campaign that will use all media to provide the public with information about how to recognize, avoid, and help stop health frauds. The materials include TV and radio public service announcements, brochures, and print advertisments.

- Produced a joint health fraud brochure together with the Federal Trade Commission, and the United States Postal Service. This brochure was a symbol of the agencies' cooperative efforts to combat health fraud and educate the public.

- Investigated drugs and biologicals with unwarranted claims which represented direct health hazards or presented a major economic fraud.

- Removed misrepresented health fraud products from the market in accordance with FDA policy.

ANIMAL DRUGS AND FEEDS
STATUS OF BASE PROGRAMS
SAFETY OF ANIMAL-DERIVED HUMAN FOODS

CURRENT ACTIVITIES

To ensure that drug and chemical residues which are a risk to human health are not found in edible animal tissue, in 1986 FDA will:

- Conduct follow-up investigations of USDA reports of drugs, pesticides or industrial chemicals in edible animal tissues.
- Conduct on an "as needed" basis pharmacokinetic studies on industrial chemicals accidentally introduced into food animals to support establishment of action levels.
- Continue studies on the toxicity, tissue residues and pharmacokinetics of veterinary drugs in food animals, including minor species.
- Complete development of confirmatory assays for residues of streptomycin and neomycin.
- Continue joint effort with USDA to determine the incidence of animal drug residues in meat.
- Complete the evaluation of FDA's regulatory policy on USDA's STOP (Swab Test on Premises) Program in cull dairy cows, which is being extended to other food producing animals.
- Complete monitoring program on levels of aniline resulting from the use of arsonilic acid in feed.
- Evaluate submissions received in response to draft proposal terminating the interim marketing regulation for sulfonamide drugs.
- Complete human food safety evaluation of six minor use drugs under new guidelines.
- Review approximately 430 New Animal Drug and Investigational New Animal Drug Applications, Food Additive Petitions, GRAS Affirmation Petitions, and master files for human safety implications.
- Continue research to develop analytical method for detection of antibiotic residues in milk and complete a comparison of microbiological methods for determination of penicillin in milk.
- Continue to participate with USDA in the Surveillance Advisory Committee, to choose those drugs to be monitored during the fiscal year and to develop necessary assay methodology.
- Publish proposed regulation concerning carcinogenic new animal drugs, and review comments.

- Complete review of human food safety aspects to support action to end misuse of chloramphenicol.

- Publish proposed regulation for Gentian Violet declaring it to be a food additive.

- Continue development and evaluation of selected multiresidue screening assays for classes of animal drugs, i.e., benzimidazole anthelmintics.

- Publish six general food safety guidelines.

- Analyze approximately 190 samples of animal feeds and animal source foods to identify sources of illegal residues in livestock and poultry tissue.

- Continue analytical method validation trials of regulatory assays for residues of animal drugs.

- Publish guidelines and regulations on the safety of animal-derived human food and review comments.

- Continue development of two guidelines for special regulatory problems, such as pre-approval data requirements for animal drugs produced by new technologies and for protein hormones.

- Conduct review of human food safety data on two approved animal drugs.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following activities.

- Conducted 226 follow-up investigations of USDA reports of drugs, pesticides or industrial chemicals in edible animal tissues.

- Continued pharmacokinetic studies on industrial chemicals accidentally introduced into food animals.

- Continued studies on the toxicity, tissue residues and pharmacokinetics of veterinary drugs in food animals, including minor use drugs.

- Continued development of confirmatory assays for residues of streptomycin and neomycin.

- Continued joint effort with USDA to determine the incidence of animal drug residues in meat.

- Continued to evaluate FDA's regulatory policy on USDA's STOP (Swab Test on Premises) Program in cull dairy cows.

- Initiated monitoring program on levels of aniline resulting from the use of arsonilic acid in feed.

- Reviewed approximately 400 New Animal Drug Applications and Investigational New Animal Drug Applications, Food Additive Petitions, GRAS Affirmation Petitions, and master files for human safety implications.
- Continued research to develop analytical methods for detection of antibiotic residues in milk.
- Continued to participate with USDA in the Surveillance Advisory Committee, to choose those drugs to be monitored during the fiscal year.
- Continued development of selected multiresidue screening assays for classes of animal drugs.
- Analyzed 109 samples of human and animal foods to identify sources of illegal residues in livestock and poultry tissue.
- Continued analytical method validation trials of regulatory assays for sulfonamide residues.
- Held a hearing on the Agency's proposal to withdraw nitrofuran-containing drugs.

ANIMAL FEED SAFETY

CURRENT ACTIVITIES

To ensure the proper use of drugs in animal feed and to protect the consumer from unsafe drug residues and environmental contaminants in animal food products, in 1986 FDA will:

- Review and complete actions on approximately 10,000 medicated feed applications within the statutory 90-day period.
- Conduct approximately 3,500 medicated feed mill inspections (2,200 under state contract and 1,400 directly, including audits).
- Conduct 85 medicated premix inspections and collect and analyze 22 samples.
- Collect and analyze for drug content approximately 285 domestic and imported feed samples.
- Collect and analyze approximately 1,440 samples of domestic and imported animal feeds and feed ingredients for pesticides, industrial chemicals and heavy metals.
- Continue research on feed toxicants and feed additives in animal feeds to determine relationship of dose to toxicological effect.
- Continue to develop and validate feed assay methodology for drugs and feed additives in animal feed.

- Continue the Emergency Response System.
- Continue research to study nutritional and physiological interactions from non-nutritive feed additives.
- Collect and analyze approximately 480 domestic and imported samples of selected feed products for mycotoxins.
- Collect and analyze through State contract approximately 232 samples of selected animal feed ingredients for chemical contaminants.
- Continue development and updating of monographs on nutrient requirements of animals.
- Initiate research to investigate the effects of aflatoxin on the neonatal animal.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following activities:

- Reviewed and completed actions on 6,745 medicated feed applications within the statutory 90-day period.
- Conducted 3,383 medicated feed mill inspections (2,300 under State contract and 1,083 directly, including audits).
- Collected 412 domestic and imported feed and drug premix samples and analyzed 150 for drug content.
- Collected and analyzed 1,176 samples of domestic and imported animal feeds and feed ingredients for pesticides, industrial chemicals and heavy metals.
- Prepared and issued information/education materials to improve voluntary compliance in the medicated feed industry.
- Conducted 71 inspections of medicated premix operations.
- Collected and analyzed 470 domestic and imported samples of selected feed products for mycotoxins.
- Continued development and updating of monographs on nutrient requirements of animals.
- Continued research to study nutritional and physiological interactions from non-nutritive feed additives.
- Continued research on feed toxicants and feed additives to determine relationship of dose to toxicological effect.

- Conducted informational programs for the agribusiness community about FDA's role in promoting the safety and efficacy of feeds and drugs used for animals and protecting the consumer from harmful tissue residues in human foods.

- Continued to develop and validate assay methodology for drugs and feed additives in animal feed.

- Continued the Emergency Response System.

- Completed the evaluation of the data collected from the egg layer survey conducted in 1983.

- Completed research in lactating dairy cattle to determine the transfer rate of aflatoxin in feed to milk.

MONITORING MARKETED ANIMAL DRUGS & DEVICES

CURRENT ACTIVITIES

To ensure that animal drugs and devices marketed in interstate commerce are safe and effective and not otherwise adulterated or misbranded, in 1986 FDA will:

- Conduct approximately 325 establishment inspections of veterinary drug firms.

- Collect approximately 480 and analyze 76 samples of marketed drugs and devices.

- Review approximately 2,600 Drug Experience Reports.

- Provide approximately 950 advisory opinions on recommended or potential regulatory actions.

- Review approximately 80 regulatory NADA Supplements.

- Maintain an adverse reaction reporting system involving 1,200 ADR reports.

- Continue toxicological studies on drugs and feed additives in food-producing animals, including minor species.

- Conduct 325 follow-up inspections and/or investigations of firms illegally distributing prescription veterinary drugs and collect samples as documented evidence.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following activities.

- Conducted 306 establishment inspections of veterinary drug firms.

- Collected 516 domestic and imported samples of marketed drugs and devices and analyzed 120.
- Provided 866 advisory opinions on recommended or potential regulatory actions.
- Reviewed 2,234 Drug Experience Reports.
- Processed 67 regulatory NADA Supplements.
- Maintained an adverse reaction reporting system involving 1,034 ADR reports.
- Continued toxicological studies on drugs and feed additives in food-producing animals, including minor species.
- Conducted follow-up inspections of firms as a result of illegal distribution of prescription veterinary drugs. Also, collected samples to support inspectional findings.

NEW ANIMAL DRUG EVALUATION

CURRENT ACTIVITIES

To ensure that animal drugs and feed additives are safe and effective and that their use in food-producing animals does not constitute a human health hazard, in 1986 FDA will:

- Review approximately 3,500 New Animal Drug Applications and related submissions and Investigational New Animal Drug Files. Continue priority review process for new animal drugs classified as Expedited Review and revise policy and procedures on this program by updating official guidelines.
- Through the use of in vivo animal models, continue to study pharmacology, toxicology and pharmacokinetics of antimicrobial, anthelmintic and anti-inflammatory agents, including the establishment of related efficacy requirements; continue studies on the toxicology of organophosphate anthelmintics in target species.
- Continue to develop a generic animal drug policy.
- Continue to review four antibacterials for low-level use and review drug resistance data on six new and marketed antibacterials.
- Continue safety and efficacy reviews on approximately 195 sulfonamide-containing drug products for use in food-producing animals.
- Continue to implement final minor use animal drug regulations and guidelines by review of approximately 25 minor use drug applications.

- Continue efficacy study of 40 remaining drugs reviewed by the National Academy of Sciences/National Research Council.
- Continue studies on immunological reactions in domestic animals and the interactions between the immune system and veterinary drugs and feed additives.
- Implement final guidelines on bioequivalency/bioavailability. Publish final regulation on Supplemental Application Policy.
- Publish final regulation on INADA Export Policy.
- Review comments on proposed final regulation on Bulk New Animal Drugs.
- Develop further objectives for cooperative extramural minor species research.
- Publish regulation to provide administrative procedures on free choice feeds, and publish guidelines for the testing of animal drugs in free choice feeds.
- Begin review of investigational drug regulations.
- Publish proposed regulation on revisions to NADA process.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following activities:

- Reviewed 3,335 New Animal Drug Applications and related submissions and Investigational New Animal Drug Files.

The following tables summarize the status of the review of NADAs and INADAs processed from 1979 through 1985:

New Animal Drug Applications

FY	Receipts	Reviews Completed	Pending at End of Period	Number Over 180 Days
1979	1,883	1,822	558	74
1980	1,651	1,835	374	36
1981	1,495	1,526	343	13
1982	1,259	1,267	326	10
1983	1,173	1,213	273	21
1984	930	1,000	186	12
1985	1,035	933	319	15
1986 Est.	1,000	1,000	275	20

Investigational New Animal Drug Applications

FY	Receipts	Reviews Completed	Pending at End of Period	Number Over 90 Days
1979	2,370	2,305	260	45
1980	1,567	1,703	124	30
1981	1,729	1,734	119	23
1982	1,714	1,712	172	14
1983	2,020	2,035	163	13
1984	2,181	2,108	206	18
1985	2,046	1,889	318	28
1986 Est.	2,300	2,000	250	20

- Continued studies on the pharmacology, toxicology and pharmacokinetics of antimicrobial, anthelmintic and anti-inflammatory agents using in vivo animal models.

- Continued studies on the toxicology of organophosphate anthelmintics in target species.

- Completed a comparison of the pharmacokinetics of sulfamethazine in normal and anemic lambs.

- Continued priority review process for new animal drugs classified as Expedited Review. Continued the reevaluation of the Expedited Review process with emphasis toward revision of an official guideline.

- Developed regulation to provide administrative procedures on free choice feeds, and developed guidelines for the testing of animal drugs in free choice feeds.

- Implemented final guidelines for animal safety studies.

- Continued to review four alternate antibacterials for low-level use and review drug resistance data on six new and marketed antibacterials.

- Implemented final minor use regulations and guidelines. Reviewed approximately 30 minor use NADA's.

- Published FEDERAL REGISTER Notice to complete safety and efficacy reviews on 195 sulfonamide-containing drug products for use in food-producing animals.

- Published final guidelines for determination of bioequivalency/bioavailability.

- Continued development of a generic animal drug policy.

- Continued efficacy study of 40 remaining drugs reviewed by the National Academy of Sciences/National Research Council.

- Continued studies on immunological reactions in domestic animals and the interactions between the immune system and veterinary drugs and feed additives.

- Published a final regulation on Bulk New Animal Drug Applications.

- Continued development of an Investigational New Animal Drugs Export Policy.

- Continued work to finalize Supplemental Application Policy.

- Initiated cooperative agreements for extramural minor species research.

- Continued review of the NADA process for the purpose of improving new animal drug approval regulations.

- Published guidelines on topical animal drug products.

ANIMAL DRUGS BIORESEARCH MONITORING

CURRENT ACTIVITIES

To ensure that the quality and integrity of bioresearch data for animal drugs and feed additives are sufficient and reliable for use in the approval process of New Animal Drug and Medicated Feed Applications, in 1986 FDA will:

- Conduct inspections to ensure the quality and integrity of data collected in 20 toxicology laboratories.

- Conduct approximately 10 inspections to ensure procedural compliance with the Investigational New Animal Drug regulations by new drug sponsors and new drug monitors.

- Conduct inspections to ensure data validity of approximately 55 clinical investigations.

- Complete review of the Good Laboratory Practice regulations as required periodically by the Regulatory Flexibility Act.

PAST ACCOMPLISHMENTS

In 1985, FDA accomplished the following activities:

- Conducted inspections to ensure the quality and integrity of data collected in 16 toxicology laboratories.

- Conducted 15 inspections to ensure procedural compliance with the Investigational New Animal Drug regulations by new drug sponsors and new drug monitors.

- Conducted inspections to ensure data validity of 48 clinical investigations.

- Continued review of the Good Laboratory Practice regulations as required periodically by the Regulatory Flexibility Act.

ANIMAL DRUGS: VOLUNTARY COMPLIANCE

CURRENT ACTIVITIES:

To increase compliance with the Federal Food, Drug, and Cosmetic Act by increasing firms' understanding of their responsibilities under the Act, in 1986 FDA will:

- Prepare and deliver approximately 38 speeches on veterinary drug issues.

- Conduct four workshops on Medicated Feed regulation changes.

- Conduct two workshops on illegal distribution of veterinary drugs.

- Coordinate with other federal and state agencies on voluntary compliance activities.

- Write 10 articles on veterinary drug issues for publication in veterinary journals.

- Develop and conduct an industry workshop on the new animal drug approval process.

- Conduct the CVM Small Business Program for feed mills.

- Continue computer networking with veterinary institutions on informational/educational needs.

- Continue import program for veterinary drug industry.

- Issue quality assurance and self inspection booklets to feed industry.

- Conduct two presentations on CVM's drug monitoring program.

PAST ACCOMPLISHMENTS:

In 1985 FDA accomplished the following activities:

- Prepared and delivered 38 speeches on veterinary drug issues.

- Prepared and distributed seven issues of the "FDA Veterinarian."

- Conducted three industry workshops on veterinary drug issues.

- Conducted three educational workshops on veterinary drug regulatory issues.

- Published eight articles in veterinary journals.

- Implemented the CVM small business program.

- Conducted public meetings on requirements for veterinary prescriptions, and on public health aspects of tissue residue.

- Conducted workshops for veterinary schools on CVM adverse drug reaction system.

- Completed and distributed slide tape programs, booklets, and catalogues containing information on regulatory issues, veterinary drugs, and FDA efforts.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
DEVICES & RADIOLOGICAL PRODUCTS

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual....................................			1,259	$67,263,000		
1986 Total Obligations.........................			1,240	68,523,000		
Section 515 Withholding....................			—	—		
Reduction Pursuant to PL 99-177 (Sequestered)			—	- 2,946,000		
1986 Revised Obligations.......................			1,240	65,577,000		
1986 Appropriation Estimate....................			1,240	70,135,000		
General Staffing Reduction..................			-34	—		
PL 99-190 Reduction (6/10 of 1%)............			—	- 414,000		
PL 99-190 Not available for obligation.......			—	- 1,198,000		
1986 Current Estimate..........................	1,240	$70,135,000	1,206	68,523,000	-2.7%	-2.3%
Built-In changes:						
Personnel related costs....................			—	490,000		
Operating expenses.........................			—	720,000		
Program Changes:						
Reallocation to Human Drugs and Biologics/ New Drug Evaluation (NDE) 1/..............			-6	- 300,000		
1987 Budget Request............................	1,206	68,523,000	1,200	69,433,000	-0.5%	1.3%
(Net Change from 1986 Current Estimate)......			(-6)	(+910,000)		

1/ FDA is requesting an increase of 40 FTEs and $2.0 million for the New Drug Evaluation project in the Human Drugs and Biologics activity. This increase is offset by an across-the-board reduction in FDA activities.

DEVICES AND RADIOLOGICAL PRODUCTS

SUMMARY OF REQUIREMENTS

Under the Medical Devices and Radiological Products program, the Food and Drug Administration pursues two overall goals 1) ensure the safety and effectiveness of medical devices, as provided for by the Medical Device Amendments of 1976, and 2) eliminate unnecessary human exposure to radiation from medical, industrial, and consumer products, and to optimize the results of necessary exposure, as provided for by the Radiation Control for Health and Safety Act of 1968.

The Agency pursues these long-range goals through several activities. The safety and effectiveness of medical devices is ensured by classifying each type of medical device into the appropriate category of regulatory control (Class I, general controls; Class II, performance standards; and Class III, premarket approval); applying general controls, such as labeling requirements, establishment registration, listing of devices, and Good Manufacturing Practices; developing performance standards for class II devices; conducting premarket review of new devices through review of premarket notifications and premarket approval applications; monitoring experience with devices on the market; and encouraging the development of useful new devices while protecting the rights and safety of human subjects in device investigations.

The Agency minimizes radiation exposure from medical, industrial, and consumer products by conducting epidemiological and experimental research to assess the risk from various forms and sources of radiation; developing radiation measurement instruments and methods; developing performance standards; developing guidelines for the use of radiation-emitting products; and conducting surveys to determine trends in, and the current state of, the use of radiation-emitting products. In both medical devices and radiological products efforts, the Agency seeks to educate consumers, industry, and health professionals to enable them to make informed judgments and use improved techniques.

Research is conducted to determine the biological effects of exposure to radiation and to develop methods to control radiation emissions; to support the issuance of performance standards for radiation-emitting products and class II medical devices; and to support monitoring and surveillance of both medical devices and radiological health products.

When necessary, regulatory actions are taken to enforce the law. These actions can include seizures, injunctions, and prosecutions.

To ensure the safety and effectiveness of medical devices and to ensure optimal exposure to radiation from medical, industrial, and consumer products, FDA is requesting an increase of $1,210,000 for personnel-related and operating expenses (total requested for 1987 is $69,433,000).

MEDICAL AND RADIOLOGICAL DEVICE MONITORING AND QUALITY CONFORMANCE

Increase

No program increase is requested for the Medical and Radiological Device Monitoring and Quality Conformance project in 1987.

Plan of Work

To ensure the safety and effectiveness of medical devices and to eliminate unnecessary human exposure to radiation from medical, industrial, and consumer products, in 1987 FDA will conduct the following activities:

- Monitor and evaluate conformance of domestic and foreign establishments with medical device Good Manufacturing Practices (GMP) requirements.

- Meet the legislative requirement for biennial inspection of medical device establishments by conducting approximately 3,800 establishment inspections, including 2,000 GMP inspections.

- Review and evaluate approximately 20,000 reports of deaths, serious injuries, and malfunctions under the Medical Device Reporting (MDR) regulation and initiate follow-up investigations as required.

- Monitor the Device Experience Network (DEN) for complaints relating to medical devices and conduct follow-up investigations as required.

- Evaluate information collected under the HCFA/FDA Pacemaker Registry.

- Evaluate radiation problem reports.

- Maintain and update the medical device establishment registration system, including the processing of re-registrations for approximately 8,600 establishments and initial registrations for 1,400 establishments.

- Maintain and update a medical device product listing system, including the processing of approximately 4,800 listing forms.

- Identify class II medical devices that have priority in the development of mandatory standards and publish 514(b) notices for devices of highest priority.

- Monitor approximately 600 product recalls.

- Conduct approximately 35 inspections in response to reports of suspected deceptive devices.

- Implement repair/replace/refund notifications or other corrective actions for deceptive devices.

- Review approximately 1,500 submissions and conduct 150 inspections under the Government-wide Quality Assurance Program (GWQAP) for medical devices.

- Provide laboratory and statistical analysis of a wide range of products identified through inspections and test data.

- Perform the following surveillance and compliance activities in the area of diagnostic x-ray standards: approximately 4,000 field screening tests of x-ray installations, 15 laboratory compliance tests, 600 manufacturer report reviews, processing of 35,000 assembler reports, and 15 manufacturing facility inspections.

- Enforce the cabinet x-ray standard by conducting field tests and by reviewing 50 manufacturers reports.

- Enforce the television performance standard by conducting approximately 135 laboratory compliance tests, reviewing 1,200 manufacturers reports, and inspecting 30 television manufacturing plants within the U.S. and overseas.

- Maintain the laser compliance program through approximately 225 inspections of manufacturing plants and by reviewing 1,600 reports from manufacturers.

- Maintain compliance program for enforcement of the performance standard for sunlamps and sunlamp products, mercury vapor lamps, ultrasound therapy devices, and microwave ovens. These activities include inspections of manufacturing plants, review of manufacturer reports, field tests, and laboratory tests.

MEDICAL AND RADIOLOGICAL DEVICE PRODUCT EVALUATION

Increase

No program increase is requested in the Medical Devices and Radiological Products Product Evaluation project in 1987.

Plan of Work

To assign all devices to that regulatory control category most appropriate for each device's potential risk, to ensure that clinical investigations of new devices properly safeguard the rights and safety of human subjects while developing data to substantiate safety and effectiveness, to facilitate the introduction of new or modified devices without unnecessary delay, and to ensure that all class III devices (devices requiring premarket approval) are safe and effective for their intended uses, in 1987 FDA will conduct the following activities:

- Review and evaluate approximately 5,700 notices of intent to market new products [510(k)s] to determine if the products are substantially equivalent to pre-Amendments products. Products that are not found equivalent are, by law, automatically placed in class III and must undergo premarket approval unless reclassified.

- Review and evaluate approximately 1,300 supplements to existing notices of intent to market new products.

- Review 220 Investigational Device Exemption (IDE) requests. Approval of an IDE request exempts the sponsor from certain requirements of the Medical Device Amendments while clinical studies are performed to develop safety and effectiveness data.

- Review approximately 2,700 supplements to previously approved IDEs.

- Review approximately 110 Premarket Approval Applications (PMAs) for new, transitional, and pre-Amendments products. A product subject to PMA requirements may not be marketed until its safety and effectiveness have been demonstrated and the PMA approved by FDA.

- Review approximately 550 supplements to existing PMAs proposing changes in approved class III products.

- Review 10 petitions for reclassification of medical devices.

- Conduct approximately 100 on-site bioresearch monitoring investigations of sponsors, clinical investigation sites, and institutional review boards associated with approved clinical investigations.

- Conduct establishment inspections as necessary to evaluate PMAs.

- Publish final and proposed regulations to require PMAs for certain high-priority categories of pre-Amendments class III devices.

- Publish regulations to exempt certain class I (general controls) devices from premarket notification [510(k)] requirements.

MEDICAL AND RADIOLOGICAL DEVICES BIOEFFECTS ANALYSIS, TEST AND MEASUREMENT DEVELOPMENT

Increase

No program increase is requested for the Medical Devices and Radiological Products Bioeffects Analysis, Test and Measurement Development project in 1987.

Plan of Work

To define risks to the public health associated with medical devices and radiological products, to develop technical means to measure and resolve product problems contributing to such risks, and to provide a sound scientific basis for all Agency actions involving these products, in 1987 FDA will conduct the following activities:

- Support efforts to develop or revise voluntary standards for medical devices and radiological products through cooperation with appropriate U.S. and international standards organizations.

- Develop methods for non-destructive evaluation of products and for the study of materials and metals toxicity.

- Conduct a program for the testing and evaluation of microelectronics and microprocessors used in medical devices, and to develop special purpose electronics equipment for use in field and laboratory testing of electronic medical devices.

- Estimate exposure to medical radiation in the U.S. population through collection and analysis of data from various sources, evaluate the causes and consequences of unnecessary exposure, and determine the effects of related past and potential Federal programs.

- Conduct studies to investigate the effects of radiation on selected processes of development.

- Conduct studies to evaluate the structural reliability of implanted devices.

- Evaluate clinical instrumentation to further the understanding of patient-instrument interactions and to improve the performance and reliability of such instrumentation.

- Develop a program for the study and evaluation of computer applications in medical devices to identify critical device types and functions with substantial impact on public health, and to develop technical information for use in review of premarket notifications or premarket approval applications and for field testing for device safety and quality assurance.

- Conduct surveys of selected types of medical device implants to establish baseline information on frequency in population and durability of the implants.

- Evaluate advances in x-ray image technology which can reduce exposure and improve performance of diagnostic x-ray imaging systems.

- Evaluate diagnostic imaging technologies, such as digital radiography, computed tomography, nuclear medicine, and magnetic resonance for the purpose of optimizing the efficiency of these technologies.

- Conduct programs of instrument development, measurement, quality assurance testing, and risk analysis to identify hazards, support standards, evaluate products and manufacturing processes, and provide technical services and support to Federal, State, and local agencies. These programs include efforts involving ionizing radiation, light products, microwave and shortwave diathermy and hyperthermia equipment, ultrasound products, and other products and treatment methodologies.

MEDICAL AND RADIOLOGICAL DEVICE EDUCATION AND ASSISTANCE

Increase

No increase is requested for the Medical Devices and Radiological Products Education and Assistance project for 1987.

Plan of Work

To ensure the safety and effectiveness of medical devices and to eliminate unnecessary human exposure to radiation from medical, industrial, and consumer products, in 1987 FDA will conduct the following activities:

- Develop and promote the use of x-ray referral criteria to aid physicians in making appropriate choices as to whether x-ray examinations are necessary.
- Promote a broad educational program to enable consumers to avoid more effectively unnecessary exposure to ionizing, light, or other forms of radiation.
- Educate radiologists, other physicians, and medical students by updating the Radiological Health Sciences Learning Laboratory, and by preparing and distributing other educational materials on good radiation practices, including material designed to promote more efficient use of diagnostic imaging procedures.
- Maintain and improve systems such as Nationwide Evaluation of X-ray Trends (NEXT), the Radiation Experience Data (RED) system, the Dental Exposure Normalization Technique program (DENT), and the Breast Exposure: Nationwide Trends program (BENT), in order to characterize and ascertain changing use patterns of medical x-rays.
- Identify user-related problems with anesthesia/respiratory care equipment and inform and educate users on how to reduce these incidents through programs such as FDA Safety Alerts, publications, videotapes, etc.
- Identify and set priorities for problem-solving in dialysis which may require development of educational or training programs to prevent future problems related to use of the equipment.
- Identify current status of educational programs for use of infant apnea monitors and if necessary develop strategies to prevent problems related to device use.
- Investigate for consumer safety the ramifications involved with the performance characteristics and labeling of in vitro devices for home use. Develop consumer educational material as necessary.
- Coordinate activities related to toxic shock syndrome, and continue to expand the programs to disseminate toxic shock information to adolescent females in the public schools.

- Conduct a Small Manufacturers' Assistance Program, as required by the 1976 Medical Device Amendments, to provide technical and other non-financial assistance to small manufacturers enabling them to comply with medical device statutory and regulatory requirements.

- Conduct educational and informative programs for health professionals, foreign regulators, state and local governments, educators, consumers, and FDA personnel.

- Provide consumers with information to enable them to understand new legal requirements and to take a more active and intelligent role in detecting both quack or fraudulent devices and in protecting themselves from injuries or economic loss that may result from the use of such devices.

- Assure the involvement of leading health professionals in an advisory capacity in FDA's medical device activities.

- Provide technical planning, assistance, and coordination of activities of the Department of Health and Human Services in the area of radiological emergency planning and support.

MEDICAL AND RADIOLOGICAL PRODUCTS
STATUS OF BASE PROGRAMS
MEDICAL AND RADIOLOGICAL DEVICE MONITORING AND QUALITY CONFORMANCE

CURRENT ACTIVITIES

To ensure the safety and effectiveness of medical devices and to eliminate unnecessary human exposure to radiation from medical, industrial, and consumer products, in 1986 FDA will conduct the following activities:

- Monitor and evaluate conformance of domestic and foreign establishments with medical device Good Manufacturing Practices (GMP) requirements.
- Meet the legislative requirement for biennial inspection of medical device establishments by conducting approximately 3,450 establishment inspections, including 1,900 GMP inspections.
- Review and evaluate approximately 20,000 reports of deaths,serious injuries, and malfunctions under the Medical Device Reporting (MDR) regulation and initiate follow-up investigations as required.
- Monitor the Device Experience Network (DEN) for complaints relating to medical devices and conduct follow-up investigations as required.
- Publish the HCFA/FDA Pacemaker Registry regulation and begin collection and analysis of data.
- Evaluate radiation problem reports.
- Maintain and update the medical device establishment registration system, including the processing of re-registrations for approximately 8,600 establishments and initial registrations for 1,400 establishments.
- Maintain and update a medical device product listing system, including the processing of approximately 4,800 listing forms.
- Identify class II medical devices that have priority in the development of mandatory standards and publish 514(b) notices for devices of highest priority.
- Initiate proposed rulemaking on tampon labeling to ensure consumers have full and accurate information on absorbency and its relation to toxic shock syndrome (TSS).
- Monitor approximately 600 product recalls.
- Conduct approximately 35 inspections in response to reports of suspected deceptive devices.

- Implement repair/replace/refund notifications or other corrective actions for deceptive devices.

- Review approximately 1,500 submissions and conduct 95 inspections under the Government-wide Quality Assurance Program (GWQAP) for medical devices.

- Provide laboratory and statistical analysis of a wide range of products identified through inspections and test data.

- Perform the following surveillance and compliance activities in the area of diagnostic x-ray standards: approximately 3,800 field screening tests of x-ray installations, 16 laboratory compliance tests, 600 manufacturer report reviews, processing of 35,000 assembler reports, and 15 manufacturing facility inspections.

- Enforce the cabinet x-ray standard by conducting field tests and by reviewing 50 manufacturers reports.

- Enforce the television performance standard by conducting approximately 160 laboratory compliance tests, reviewing 1,200 manufacturers reports, and inspecting 37 television manufacturing plants within the U.S. and overseas.

- Maintain the laser compliance program through approximately 190 inspections of manufacturing plants and by reviewing 1,600 reports from manufacturers.

- Maintain compliance program for enforcement of the performance standard for sunlamps and sunlamp products, mercury vapor lamps, ultrasound therapy devices, and microwave ovens. These activities include inspections of manufacturing plants, review of manufacturer reports, field tests, and laboratory tests.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following:

- Monitored and evaluated conformance of domestic and foreign establishments with medical device Good Manufacturing Practices (GMP) requirements.

- Met the legislative requirement for biennial inspection of medical device establishments by conducting approximately 3,600 establishment inspections, including 2,000 GMP inspections.

- Published the final rule establishing the Medical Device Reporting (MDR) regulation and initiated review and evaluation of reports of deaths, serious injuries, and malfunctions under the regulation, and initiated follow-up investigations as required. From December 13, 1984, when the regulation became effective, to the end of FY85, the Agency received and reviewed 11,452 MDR reports.

- Monitored the Device Experience Network (DEN) for complaints relating to medical devices and conducted 520 follow-up investigations.

- Continued development of a HCFA/FDA Pacemaker Registry, as required by provisions of the Deficit Reduction Act of 1984.

- Evaluated radiation problem reports.

- Maintained and updated the medical device establishment registration system, including the processing of re-registrations for approximately 8,600 establishments and initial registrations for 1,400 establishments.

- Maintained and updated a medical device product listing system, including the processing of approximately 4,800 listing forms.

- Identified class II medical devices that require priority in the development of mandatory standards and continued to develop the information necessary to publish 514(b) notices for devices of highest priority.

- Monitored 585 product recalls.

- Conducted approximately 35 inspections in response to reports of suspected deceptive devices.

- Implemented repair/replace/refund notifications or other corrective actions for deceptive devices.

- Reviewed approximately 1,350 submissions and conducted 68 inspections under the Government-wide Quality Assurance Program (GWQAP) for medical devices.

- Provided laboratory and statistical analysis of a wide range of products identified through inspections and test data.

- Performed the following surveillance and compliance activities in the area of diagnostic x-ray standards: approximately 4,000 field screening tests of x-ray installations, 17 laboratory compliance tests, 667 manufacturer report reviews, processing of 35,000 assembler reports, and 15 manufacturing facility inspections.

- Enforced the cabinet x-ray standard by conducting field tests and by reviewing 71 manufacturers reports.

- Enforced the television performance standard by conducting approximately 157 laboratory compliance tests, reviewing 1,200 manufacturers reports, and inspecting 30 television manufacturing plants within the U.S. and overseas.

- Maintained the laser compliance program through 187 inspections of manufacturing plants and by reviewing 1,219 manufacturer reports.

- Maintained compliance program for enforcement of the performance standard for sunlamps and sunlamp products, mercury vapor lamps, ultrasound therapy devices, and microwave ovens. These activities included inspections of manufacturing plants, review of manufacturer reports, field tests, and laboratory tests.

MEDICAL AND RADIOLOGICAL DEVICE PRODUCT EVALUATION

CURRENT ACTIVITIES

To assign all devices to that regulatory control category most appropriate for each device's potential risk, to ensure that clinical investigations of new devices properly safeguard the rights and safety of human subjects while developing data to substantiate safety and effectiveness, to facilitate the introduction of new or modified devices without unnecessary delay, and to assure that all class III devices (devices requiring premarket approval) are safe and effective for their intended uses, in 1986 FDA will conduct the following activities:

- Review and evaluate approximately 5,700 notices of intent to market new products [510(k)s] to determine whether the products are substantially equivalent to pre-Amendments devices.

- Review and evaluate approximately 1,300 supplementals of existing notices of intent to market new products.

- Review 210 Investigational Device Exemption (IDE) requests.

- Review approximately 2,500 supplements to previously approved IDEs.

- Review approximately 95 Premarket Approval Applications (PMAs) for new, transitional, and pre-Amendments products.

- Review approximately 470 supplements to existing PMAs proposing changes in approved class III products.

- Review 5 petitions for reclassification of medical devices.

- Conduct approximately 72 on-site bioresearch monitoring investigations of sponsors, clinical investigation sites, and institutional review boards associated with approved clinical investigations.

- Conduct 50 establishment inspections necessary to evaluate PMAs.

- Publish final and proposed regulations to require PMAs for certain high-priority categories of pre-Amendments class III devices.

- Publish regulations to exempt certain class I (general controls) devices from premarket notification [510(k)] requirements.

- Publish final classification regulations for medical devices covered by the remaining seven (of 16) device specialty groups.

- Publish guidance on emergency use of unapproved medical devices.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following:

- Reviewed and evaluated 5,261 notices of intent to market new products [510(k)s] to determine whether the products are substantially equivalent to pre-Amendments devices.

- Reviewed and evaluated approximately 1,500 supplements to existing notices of intent to market new products.

- Reviewed 207 Investigational Device Exemption (IDE) requests.

- Review 2,463 supplements to previously approved IDEs.

- Reviewed 97 Premarket Approval Applications (PMAs) for new and transitional products.

- Reviewed 393 supplements to existing PMAs proposing changes in approved class III products.

- Reviewed 3 petitions for reclassification of medical devices.

- Conducted approximately 66 on-site bioresearch monitoring inspections of sponsors, clinical investigation sites, and institutional review boards associated with approved clinical investigations.

- Conducted 49 establishment inspections as necessary to evaluate PMAs.

- Published proposed regulations to require PMAs for three generic types of pre-Amendment class III devices.

- Continued development of final classification regulations for seven of the 16 device specialty groups.

MEDICAL AND RADIOLOGICAL DEVICES BIOEFFECTS ANALYSIS, TEST AND MEASUREMENT DEVELOPMENT

CURRENT ACTIVITIES

To define risks to the public health associated with medical devices and radiological products, to develop technical means to measure and resolve product problems contributing to such risks, and to provide a sound scientific basis for all Agency actions involving these products, in 1986 FDA will conduct the following activities:

- Support efforts to develop or revise voluntary standards for medical devices and radiological products through cooperation with appropriate U.S. and international standards organizations.

- Develop methods for non-destructive evaluation of products and initiate development of methods for the study of materials and metals toxicity.

- Initiate a program for the testing and evaluation of microelectronics and microprocessors used in medical devices, and to develop special purpose electronics equipment for use in field and laboratory testing of electronic medical devices.

- Estimate exposure to medical radiation in the U.S. population through collection and analysis of data from various sources, evaluate the causes and consequences of unnecessary exposure, and determine the effects of related past and potential Federal programs.

- Conduct studies to investigate the effects of radiation on selected processes of development.

- Initiate studies to evaluate the structural reliability of implanted devices. Studies of the hermeticity of pacemakers, prosthetic heart valves, and wear of orthopedic joint protheses are examples of this activity. The efforts are aimed at ensuring the long-term durability and biocompatability of medical devices and to increase understanding of failure modes of devices and their materials.

- Evaluate clinical instrumentation to further the understanding of patient-instrument interactions and to improve the performance and reliability of such instrumentation.

- Develop a program for the study and evaluation of computer applications in medical devices to identify critical device types and functions with substantial impact on public health, and to develop technical information for use in review of premarket notifications or premarket approval applications and for field testing for device safety and quality assurance.

- Conduct surveys of selected types of medical device implants to establish baseline information on frequency in population and durability of the implants.

- Evaluate advances in x-ray image technology which can reduce exposure and improve performance of diagnostic x-ray imaging systems.

- Evaluate diagnostic imaging technologies, such as digital radiography, computed tomography, nuclear medicine, and magnetic resonance for the purpose of optimizing the efficiency of these technologies.

- Conduct programs of instrument development, measurement, quality assurance testing, and risk analysis to identify hazards, support standards, evaluate products and manufacturing processes, and provide technical services and support to Federal, State, and local agencies. These programs include efforts involving ionizing radiation, light products, microwave and shortwave diathermy and hyperthermia equipment, ultrasound products, and other products and treatment methodologies.

- Co-sponsor the World Health Organization/Pan-American Health Organization/FDA "International Conference of Medical Device Regulatory Authorities." This conference, to be held in Washington, D.C., June 2-6, 1986, will exchange information on policies, procedures, and regulations involving medical devices, and will identify specific needs and mechanisms for international communication and cooperation.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following:

- Supported efforts to develop or revise voluntary standards for medical devices and radiological products through cooperation with appropriate U.S. and international standards organizations.

- Continued development methods for non-destructive evaluation of products.

- Continued to estimate exposure to medical radiation in the U.S. population through collection and analysis of data from various sources, evaluated the causes and consequences of unnecessary exposure, and determined the effects of related past and potential Federal programs.

- Conducted studies to investigate the effects of radiation on selected processes of development.

- Evaluated clinical instrumentation to further the understanding of patient-instrument interactions and to improve the performance and reliability of such instrumentation.

- Began to develop a program for the study and evaluation of computer applications in medical devices to identify critical device types and functions with substantial impact on public health, and to develop technical information for use in review of premarket notifications or premarket approval applications; and for field testing for device safety and quality assurance.

- Evaluated advances in x-ray image technology which can reduce exposure and improve performance of diagnostic x-ray imaging systems.

- Evaluated diagnostic imaging technologies, such as digital radiography, computed tomography, nuclear medicine, and magnetic resonance for the purpose of optimizing the efficiency of these technologies.

- Conducted programs of instrument development, measurement, quality assurance testing, and risk analysis to identify hazards, support standards, evaluate products and manufacturing processes, and provide technical services and support to Federal, State, and local agencies. These programs include efforts involving ionizing radiation, light products, microwave and shortwave diathermy and hyperthermia equipment, ultrasound products, and other products and treatment methodologies.

- Participated in planning for the 1986 "International Conference of Medical Device Regulatory Authorities," co-sponsored by WHO, PAHO, and FDA.

MEDICAL AND RADIOLOGICAL DEVICE EDUCATION AND ASSISTANCE

CURRENT ACTIVITIES

To ensure the safety and effectiveness of medical devices and to eliminate unnecessary human exposure to radiation from medical, industrial, and consumer products, in 1986 FDA will conduct the following activities:

- Develop and promote the use of x-ray referral criteria to aid physicians in making appropriate choices as to whether x-ray examinations are necessary.

- Promote a broad educational program to enable consumers to avoid more effectively unnecessary exposure to ionizing, light, or other forms of radiation.

- Educate radiologists, other physicians, and medical students by updating the Radiological Health Sciences Learning Laboratory, and by preparing and distributing other educational materials on good radiation practices, including material designed to promote more efficient use of diagnostic imaging procedures.

- Maintain and improve systems such as Nationwide Evaluation of X-ray Trends (NEXT), the Radiation Experience Data (RED) system, the Dental Exposure Normalization Technique program (DENT), and the Breast Exposure: Nationwide Trends program (BENT), in order to characterize and ascertain changing use patterns of medical x-rays.

- Identify user-related problems with anesthesia/respiratory care equipment and inform and educate users on how to reduce these incidents through programs such as FDA Safety Alerts, publications, videotapes, etc.

- Identify and set priorities for problem-solving in dialysis which may require development of educational or training programs to prevent future problems related to use of the equipment.

- Identify current status of educational programs for use of infant apnea monitors and if necessary develop strategies to prevent problems related to device use.

- Investigate for consumer safety the ramifications involved with the performance characteristics and labeling of in vitro devices for home use. Develop consumer educational material as necessary.

- Coordinate activities related to toxic shock syndrome, and continue to expand the programs to disseminate toxic shock information to adolescent females in the public schools.

- Conduct a Small Manufacturers' Assistance Program, as required by the 1976 Medical Device Amendments, to provide technical and other non-financial assistance to small manufacturers enabling them to comply with medical device statutory and regulatory requirements.

- Conduct educational and informative programs for health professionals, foreign regulators, state and local governments, educators, consumers, and FDA personnel.

- Provide consumers with information to enable them to understand new legal requirements and to take a more active and intelligent role in detecting both quack or fraudulent devices and in protecting themselves from injuries or economic loss that may result from the use of such devices.

- Assure the involvement of leading health professionals in an advisory capacity in FDA's medical device activities.

- Provide technical planning, assistance, and coordination of activities of the Department of Health and Human Services in the area of radiological emergency planning and support.

PAST ACCOMPLISHMENTS

In 1985 FDA accomplished the following

- Developed and promoted the use of x-ray referral criteria to aid physicians in making appropriate choices as to whether x-ray examinations are necessary.

- Promoted broad educational programs to enable consumers to avoid more effectively unnecessary exposure to ionizing, light, or other forms of radiation.

- Continued to educate radiologists, other physicians, and medical students by updating the Radiological Health Sciences Learning Laboratory, and by preparing and distributing other educational materials on good radiation practices, including material designed to promote more efficient use of diagnostic imaging procedures.

- Maintained and improved systems such as Nationwide Evaluation of X-ray Trends (NEXT), the Radiation Experience Data (RED) system, the Dental Exposure Normalization Technique program (DENT), and the Breast Exposure: Nationwide Trends program (BENT), in order to characterize and ascertain changing use patterns of medical x-rays.

- Continued to identify user-related problems with anesthesia/respiratory care equipment and inform and educate users on how to reduce these incidents through programs such as FDA Safety Alerts, publications, videotapes, etc.

- Continued to identify and set priorities for problem-solving in dialysis which may require development of educational or training programs to prevent future problems related to use of the equipment.

- Continued to identify current status of educational programs for use of infant apnea monitors and as necessary to develop strategies to prevent problems related to device use.

- Investigated for consumer safety the ramifications involved with the performance characteristics and labeling of in vitro devices for home use. Developed consumer educational material as necessary.

- Coordinated activities related to toxic shock syndrome, and continued to expand the programs to disseminate toxic shock information to adolescent females in the public schools.

- Conducted a Small Manufacturers' Assistance Program, as required by the 1976 Medical Device Amendments, to provide technical and other non-financial assistance to small manufacturers enabling them to comply with medical device statutory and regulatory requirements.

- Conducted educational and informative programs for health professionals, foreign regulators, state and local governments, educators, consumers, and FDA personnel.

- Provided consumers with information to enable them to understand new legal requirements and to take a more active and intelligent role in detecting both quack or fraudulent devices and in protecting themselves from injuries or economic loss that may result from the use of such devices.

- Involved leading health professionals in an advisory capacity in FDA's medical device activities.

- Provided technical planning, assistance, and coordination of activities of the Department of Health and Human Services in the area of radiological emergency planning and support, including activities related to assuring public health and safety during the recovery and decontamination of the Three Mile Island nuclear facility.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual			292	$22,119,000		
1986 Total Obligations			288	22,280,000		
Section 515 Withholding			—	—		
Reduction Pursuant to PL 99-177 (Sequestered)			—	- 958,000		
1986 Revised Obligations			288	21,322,000		
1986 Appropriation Estimate			288	22,693,000		
General Staffing Reduction			- 8	—		
PL 99-190 Reduction (6/10 of 1%)			—	- 135,000		
PL 99-190 Not available for obligation			—	- 278,000		
1986 Current Estimate	288	$22,693,000	280	22,280,000	-2.8%	-1.8%
Built-In changes:						
Personnel related costs			—	149,000		
Operating expenses			—	335,000		
Program Changes.						
Reallocation to Human Drugs and Biologics/ New Drug Evaluation (NDE) 1/			-2	- 100,000		
1987 Budget Request	280	22,280,000	278	22,664,000	-1.1%	1.7%
(Net Change from 1986 Current Estimate)			(-2)	(+384,000)		

1/ FDA is requesting an increase of 40 FTEs and $2.0 million for the New Drug Evaluation project in the Human Drugs and Biologics activity. This increase is offset by an across-the-board reduction in FDA activities.

NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH

SUMMARY OF REQUIREMENTS

Budgetary resources identified with the Food and Drug Administration's National Center for Toxicological Research (NCTR) are used to develop a better capability to assess risks associated with potentially toxic chemicals, with the following emphasis: determination of the basic biological processes involving chemical toxicants in animal organisms in order to enable better extrapolation of toxicological data from laboratory animals to man; development of improved methodologies and test protocols for evaluating the safety of chemical toxicants; and determination of the adverse health effects resulting from long-term, low-level exposure to chemical toxicants (food additives, residues of animal drugs, etc.). These activities are all part of an effort to solve the acute problems faced in conducting human risk assessments.

The NCTR has evolved its programs to the point where they have been realigned to focus on testing the assumptions used in the process of assessing risks posed by toxic chemicals. The overall effort may be categorized into the following general areas:

A. Biomarkers -- Developing and evaluating biochemical procedures, including birth defects and cancers, in animal models and tissues in order to provide quantitative indicators of exposure to a toxic chemical or to assess individual differences in susceptibility to certain chemicals or to classes of chemicals.

B. Modulators of Toxicity -- Toxic chemicals change basic biochemical processes within cells. However, in order to understand how a chemical causes those changes, it is first necessary to understand how normal physiological parameters (such as diet) alter those processes. Once that is understood at the molecular level in laboratory animals and humans, the program endeavors to develop a bridge between whole animal (cancer) and molecular or cellular responses.

C. Extrapolation/Exposure Assessment -- Testing a number of critical assumptions which have not been adequately tested and which are used in the process of assessing risk.

To continue this program in 1987, FDA is requesting an increase of $484,000 for personnel-related and operating expenses (total requested for 1987, $22,664,000).

Increase

No program increase is requested for NCTR in 1987.

Plan of Work

To assess the health risks resulting from long-term, low-level exposure to chemical toxicants, FDA is engaged in research to determine the basic biological processes of chemical toxicants in animal organisms, develop data that will facilitate the extrapolation of toxicological data from laboratory animals to man, and develop improved test methodologies and protocols to evaluate potentially hazardous chemicals. Research is focused in areas of biomarkers, modulators of toxicity, and extrapolation/exposure assessment.

To promote the accomplishment of the research goals at NCTR, in 1987 FDA will:

Biomarkers

- Complete the selection of tests for biochemical parameters to be used as indicators of exposure to, and predictors of, bladder carcinogenesis in humans exposed in an industrial environment and dogs exposed to aromatic amines. Expand this effort to development of predictors of exposure to colon carcinogenesis in humans.

- Continue study of role of an inherited ability to produce a specific enzyme, arylamine N-acetyltransferase, in human bladder and colon cancer.

- Continue study of the effect of toxicant-induced repair of DNA on the formation of cellular aberrations in mammalian cells, relate the aberrations to the development of cancer and birth defects, and develop models to predict the development of cancer and birth defects based on the aberrations.

- Continue study of the role of specific aminofluorene-DNA lesions in the initiation and promotion of hepatic tumors and develop a model to predict liver cancer based on the locus of the lesion on the DNA and number of lesions.

- Continue the study of unscheduled DNA repair to detect potential genetic toxicity of NTP chemicals.

- Continue study of alteration of early prenatal cellular differentiation by environmental substances, expanding to understand the biochemical causes of these alterations.

- Continue study of the structure of different oligonucleotides which have been modified by covalent bonding to DNA, the metabolic fate of different toxicants in the presence of active enzyme systems, and the structure of many polycyclic aromatic hydrocarbons and their corresponding metabolites using high-field nuclear magnetic resonance techniques.

- Continue studies of the application of whole embryo culture as a screening method for determining the potential of chemicals to cause birth defects.

- Continue studies on the influence of estrogen metabolism and pharmacokinetics on the developmental toxicity of naturally occurring and synthetic estrogens.
- Continue study of the metabolic activation (how the chemical is changed in the body) and DNA adducts (lesions on the genetic code) of dinitropyrenes (a class of toxic chemical).
- Continue study of estrogen toxicity in the developing rat, having defined the primary estrogen responses in the brain.
- Complete study that compares metabolism and disposition of dexamethazone and cortisol in the pregnant rhesus monkey during late gestation.
- Continue an evaluation of the relative utility of different immunological endpoints as a means to detect toxicity to the developing immune system.
- Complete an adult immunotoxicity evaluation of pyrilamine maleate.
- Continue study of the role of hormones, age, and species in two-stage liver carcinogenesis.
- Complete study of the influence of circulating insulin levels on detoxification capacity and mammary adenocarcinoma formation in virgin female F1 hybrid mice.
- Continue study of the genetic code changes associated with N-methyl-nitrosourea-induced tumors of the rat urinary bladder.
- Continue study on the effects of certain chemicals on ovarian function and develop an indicator of ovarian damage.
- Continue a study to measure the effects of the inherited ability to produce different levels of various enzymes on the development of a fetus and its ability to correct damage caused by toxic chemicals.
- Continue study on establishing developmental profiles of hepatic detoxicating enzymes in man, the non-human primates, rats, and swine.

Modulators of Toxicity

- Continue study of selective reactions among different animal species to polycyclic aromatic hydrocarbons.
- Continue study on the effects of diet on the absorption and different pathways of metabolism of estradiol.
- Complete definition of effective doses of streptozotocin for female mice of different genotypes.
- Continue study of certain chemicals by organisms found in the human intestinal tract using a continuous culture system.
- Initiate a study on the effect of restricting the caloric input in rodents to the biochemical mechanisms which cause a lengthening of lifespan and reduced effect of some toxic chemicals.
- Initiate a study on the effect of different sources of calories on the rodent's ability to modulate the toxicity of certain compounds, and to understand the biochemical mechanisms responsible.

Extrapolation/Exposure Assessment

- Complete methods research on selected compounds, and develop and validate other methods for National Toxicology Program (NTP) compounds.
- Continue studies for the NTP on the following compounds: Antihistamines (four compounds) and a positive control (one compound); and the food flavor, 1,8-Cineole.
- Continue development of new methodologies for the isolation, enrichment, and engineering of specific bacterial and fungal strains capable of deactivation of environmental contaminants.
- Continue study of the effects of controlled genetic variation in subchronic and chronic toxicity assays.
- Complete data analysis activity for the completed long-term and metabolism studies on the animal drug, Sulfamethazine.
- Continue a study of selected halogenated hydrocarbons for their ability to potentiate their own hepatoxicity.
- Initiate study to measure the effects of dosing animals with variable doses of toxic agents (more similar to human exposuure) than constant doses.
- Initiate study to measure the effects of short-term (accidental) exposure compared to long-term exposure.
- Initiate study to measure intermittent exposure compared to continuous exposure.
- Initiate study using pharmacokinetics and the antihistamines to obtain human data from the manufacturers to bridge the gap between laboratory animal data and human data by developing models to measure the scaling factor applied when conducting human risk assessments based on animal data.

NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH

STATUS OF BASE PROGRAMS

CURRENT ACTIVITIES

To assess the health risks resulting from long-term, low-level exposure to chemical toxicants, FDA is engaged in research to determine the basic biological processes of chemical toxicants in animal organisms, develop data that will facilitate the extrapolation of toxicological data from laboratory animals to man, and develop improved test methodologies and protocols to evaluate potentially hazardous chemicals. Research is focused in areas of biomarkers, modulators of toxicity, and extrapolation/exposure assessment.

To promote the accomplishment of the research goals at NCTR, in 1986 FDA will:

Biomarkers

- Refine the selection of a battery of tests for biochemical parameters to be used as indicators of exposure to, and predictors of, bladder carcinogenesis in humans exposed in an industrial environment and dogs exposed to aromatic amines.
- Continue study of role of an inherited ability to produce a specific enzyme, arylamine N-acetyltransferase, in human bladder and colon cancer.
- Continue study of the effect of toxicant-induced repair of DNA on the formation of cellular aberrations in mammalian cells, and expand the study to relate these abberations to the development of cancer and birth defects.
- Continue study of the role of specific aminofluorene-DNA lesions in the initiation and promotion of hepatic tumors, expanding to study the importance of the site on the DNA at which the lesion occurs.
- Continue the study of unscheduled DNA repair to detect potential genetic toxicity of NTP chemicals.
- Continue study of alteration of early prenatal cellular differentiation by environmental substances.
- Continue study of the structure of oligonucleotides which have been modified by covalent bonding to DNA, the metabolic fate of toxicants in the presence of active enzyme systems, and the structure of polycyclic aromatic hydrocarbons and their corresponding metabolites using high-field nuclear magnetic resonance techniques.
- Continue studies of the application of whole embryo culture as a screening method for determining the potential of chemicals to cause birth defects.

- Continue studies on the influence of estrogen metabolism and pharmacokinetics on the developmental toxicity of naturally occurring and synthetic estrogens.

- Continue study of the metabolic activation (how the chemical is changed in the body) and DNA adducts (lesions on the genetic code) of dinitropyrenes (a class of toxic chemical).

- Continue study of estrogen toxicity in the developing rat with emphasis on estrogen responses in the brain.

- Complete study that compares metabolism and disposition of dexamethazone and cortisol in the pregnant rhesus monkey during late gestation.

- Continue an evaluation of the relative utility of many different immunological endpoints as a means to detect toxicity to the developing immune system.

- Continue an adult immunotoxicity evaluation of pyrilamine maleate.

- Continue study of the role of hormones, age, and species in two-stage liver carcinogenesis.

- Continue study of the influence of circulating insulin levels on detoxification capacity and mammary adenocarcinoma formation in virgin female F1 hybrid mice.

- Continue study of the genetic code changes associated with N-methyl-nitrosourea-induced tumors of the rat urinary bladder.

- Initiate study on establishing developmental profiles of hepatic detoxicating enzymes in man, the non-human primates, rats, and swine.

- Initiate study on the effects of certain chemicals on ovarian function and develop an indicator of ovarian damage.

- Initiate a study to measure the effects of the inherited ability to produce different levels of various enzymes on the development of a fetus and its ability to correct damage caused by toxic chemicals.

Modulators of Toxicity

- Continue study of selective reactions among different animal species to polycyclic aromatic hydrocarbons.

- Continue study on the effects of diet on the absorption and different pathways of metabolism of estradiol.

- Complete definition of effective doses of streptozotocin for female mice of different genotypes.

- Complete study on pancreatic islet hyperplasia and insulin level.

- Complete study on the role of circadian rhythm in toxicity and tumor induction.

- Continue study of certain chemicals by organisms found in the human intestinal tract using a continuous culture system.

Extrapolation/Exposure Assessment

- Continue methods research on selected compounds, and develop and validate other methods for National Toxicology Program (NTP) compounds.

- Continue studies for the NTP on the following compounds: Antihistamines (four compounds) and a positive control (one compound); and the food flavor, 1,8-Cineole.

- Continue development of new methodologies for the isolation, enrichment, and engineering of specific bacterial and fungal strains capable of deactivation of environmental contaminants.

- Continue study of the effects of controlled genetic variation in subchronic and chronic toxicity assays.

- Complete final report on study of the Orphan drug, Triethylene tetramine dihydrochloride.

- Complete final report on the study of the teratogenic effects of pulsed ultrasound.

- Complete final report on the developmental toxicity study of Polydimethylsiloxane.

- Continue long-term and metabolism studies on the animal drug, Sulfamethazine.

- Complete studies on comparative carcinogenicity of the food pyrolysis product, 2-amino-5-phenyl-pyridine and the known human carcinogen 4-amino-biphenyl, in the newborn mouse.

- Initiate a study of selected halogenated hydrocarbons for their ability to potentiate their own hepatotoxicity.

PAST ACCOMPLISHMENTS

During 1985, FDA accomplished the following activities:

Biomarkers

- Continued the development and selection of a battery of tests for biochemical parameters to be used as indicators of exposure to, and predictors of, bladder carcinogenesis in humans exposed in an industrial environment and dogs exposed to aromatic amines.

- Continued study of role of an inherited ability to produce a specific enzyme, arylamine N-acetyltransferase, in human bladder and colon cancer.

- Continued study of the effect of toxicant-induced repair of DNA on the formation of cellular aberrations in mammalian cells.

- Continued study of the role of specific aminofluorene-DNA lesions in the initiation and promotion of hepatic tumors.

- Continued the study of unscheduled DNA repair to detect potential genetic toxicity of NTP chemicals.

- Continued study of alteration of early prenatal cellular differentiation by environmental substances.

- Continued study of the structure of oligonucleotides which have been modified by covalent bonding, the metabolic fate of toxicants in the presence of active enzyme systems, and the structure of polycyclic aromatic hydrocarbons and their corresponding metabolites using high-field nuclear magnetic resonance techniques.

- Continued studies of the application of whole embryo culture as a screening method for determining the potential of chemicals to cause birth defects.

- Continued studies on the influence of estrogen metabolism and pharmacokinetics (the parts of the body to which the chemical is distributed and how quickly) on the developmental toxicity of naturally occurring and synthetic estrogens.

- Continued study of the metabolic activation (how the chemical is changed in the body) and DNA adducts (lesions on the genetic code) of dinitropyrenes (a class of toxic chemical).

- Continued study of estrogen toxicity in the developing rat with emphasis on estrogen responses in the brain.

- Continued study that compares metabolism and disposition of dexamethazone and cortisol in the pregnant rhesus monkey during late gestation.

- Continued an evaluation of the relative utility of immunological endpoints as a means to detect toxicity to the developing immune system.

- Continued an adult immunotoxicity evaluation of pyrilamine maleate.

- Continued study of the role of hormones, age, and species in two-stage liver carcinogenesis.

- Continued study of the influence of circulating insulin levels on detoxification capacity and mammary adenocarcinoma formation in virgin female F1 hybrid mice.

- Continued study of the genetic code changes associated with N-methyl-nitrosourea-induced tumors of the rat urinary bladder.

- Completed studies to determine the maternal and fetotoxicity of prenatal treatment with propranolol.

- Completed research on development of direct testing methods that will be applicable to humans for both somatic and germinal cell mutations, and will be quantifiable markers of damage caused by genotoxic substances.

- Completed study of the correlation of blood cholinesterase levels with toxicity of sarin in CD rats.

Modulators of Toxicity

- Continued study of selective reactions among different animal species to polycyclic aromatic hydrocarbons.

- Continued study on the effects of diet on the absorption and metabolism of estradiol.

- Continued definition of effective doses of streptozotocin for female mice of different genotypes.

- Continued study on pancreatic islet hyperplasia and insulin level.

- Continued study on the role of circadian rhythm in toxicity and tumor induction.

- Initiated study of certain chemicals by organisms found in the human intestinal tract using a continuous culture system.

- Completed a study on the influence of diet on chemically-induced DNA damage.

- Completed evaluation of circadian rhythms of liver or brain enzymes of aged mice.

- Completed study on co-carcinogenicity of sodium saccharin in the rat.

Extrapolation/Exposure Assessment

- Continued methods research on selected compounds, and developed and validated other methods for NTP compounds.

- Continued studies for the NTP on the following compounds: Antihistamines (four compounds) and a positive control (one compound); and the food flavor, 1,8-Cineole.

- Continued development of methodologies for the isolation, enrichment, and engineering of specific bacterial and fungal strains capable of deactivation of environmental contaminants.

- Continued study of the effects of controlled genetic variation in subchronic and chronic toxicity assays.
- Continued study of the Orphan drug, Triethylene tetramine dihydrochloride.
- Continued study of the teratogenic effects of pulsed ultrasound.
- Continued the developmental toxicity study of Polydimethyl-siloxane.
- Continued long-term and metabolism studies on the animal drug, Sulfamethazine.
- Continued studies on comparative carcinogenicity of the food pyrolysis product, 2-amino-5-phenyl-pyridine and the known human carcinogen 4-amino-biphenyl, in the newborn mouse.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
PROGRAM MANAGEMENT

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual			455	$58,549,000		
1986 Total Obligations			402	55,548,000		
Section 515 Withholding			---	- 198,000		
Reduction Pursuant to PL 99-177 (Sequestered)			---	-23,881,000		
1986 Revised Obligations			402	52,962,000		
1986 Appropriation Estimate			402	56,272,000		
General Staffing Reduction			-11	---		
PL 99-190 Reduction (6/10 of 1%)			---	- 335,000		
PL 99-190 Not available for obligation			---	- 389,000		
1986 Current Estimate	402	$56,272,000	391	55,548,000	-2.7%	-1.3%
Built-in changes						
Personnel related costs			---	---		
Operating expenses			---	2,409,000		
Program Changes:						
Reallocation to Human Drugs and Biologics/ New Drug Evaluation (NDE) 1/			-3	- 150,000		
1987 Budget Request	391	55,548,000	388	57,807,000	-0.8%	4.1%
(Net Change from 1986 Current Estimate)			(-3)	(+2,259,000)		

1/ FDA is requesting an increase of 40 FTEs and $2.0 million for the New Drug Evaluation project in the Human Drugs and Biologics activity. This increase is offset by an across-the-board reduction in FDA activities.

PROGRAM MANAGEMENT

SUMMARY OF REQUIREMENTS

This activity provides central program direction and administrative services for agency programs to ensure that FDA's consumer protection efforts are effectively managed and that available resources are put to the most efficient use. These functions include providing agency-wide policy development in the areas of medical affairs, scientific coordination, regulatory requirements, legislation, planning and evaluation, consumer communications, and public information; and management expertise and coordination in financial management, personnel, contracts and grants administration, procurement/property/space control, and communications systems. Within this activity, several broad initiatives cut across program and organizational lines. These include providing guidance to field surveillance activities, improving agency analytical capabilities by integrating new scientific knowledge with current activities, ensuring the effectiveness and fairness of regulatory processes to industry in general, and small businesses in particular, through review of existing and proposed regulations in accordance with Executive Order 12291 and the Regulatory Flexibility Act.

Specific programs within this activity are management of Freedom of Information (FOI) activities, to respond within statutory timeframes to inquiries, and the Small Business Program, to assist small businessses in carrying out regulatory requirements and in participating in FDA's regulatory decision-making process, to minimize the economic impact of necessary agency regulations on small businesses.

For Program Management, FDA is requesting an increase of $2,409,000 for personnel related and operating expenses, (total requested for 1987, $57,807,000).

The request for Program Management also includes SLUC costs for rental charges paid to GSA. The Agency's SLUC expenses are discussed on page 167.

Increase

No program increase is requested for the Program Management activity in 1987.

PROGRAM MANAGEMENT
STATUS OF BASE PROGRAMS
FREEDOM OF INFORMATION

This program covers the FDA's central program direction and administrative functions. In addition, it also is charged with issues which are agency-wide rather than single program concerns. Two such programs, described below, are those dealing with Freedom of Information and Assistance to Small Business.

Background

The impact of the FOI Act on agency resources has been substantial. The Agency has responded by creating a central FOI Staff, which is the focal point for coordinating responses, as well as by allocating manpower in all its offices to satisfy the demands of the Act.

Past Accomplishments

In 1985, the Agency received 46,000 requests, requiring 138 staffyears at a cost of approximately $5.5 million, of which $378,000 was recovered in fees, which are deposited to miscellaneous receipts of the Treasury.

The percentage of requests from categories of users likely to benefit financially from the information obtained has remained essentially the same: nearly 85 percent were from commercial information-providing enterprises, FDA regulated industries, and attorneys The remainder were from individuals and public interest groups.

Current Activities

The total number of FOI requests continues to increase, and there continues to be a number of sensitive and complex requests, involving extensive searches of agency records. The Agency expects its overall FOI workload to require approximately 138 staffyears of effort in 1986.

Plan of Work

In 1987, FDA expects to expend approximately 140 staffyears of effort to respond to FOI requests.

SMALL BUSINESS PROGRAM

Background

The impact of Government regulation on small businesses has received increasing Presidential and Congressional attention in the last several years. The Regulatory Flexibility Act of 1980 (P.L. 96-354) and Executive Order 12291 issued by President Reagan in 1981 require regulatory agencies to propose only rule-making efforts that meet strict requirements. The intent of these directives was to ensure that regulatory action be undertaken only if the potential benefits exceed the potential costs. Further, regulatory priorities must maximize the aggregate net benefits to society while not placing unnecessary burdens on the industry involved, particularly small businesses. As a result, proposed regulations are routinely analyzed for their potential impact on industry, and a Regulatory Agenda is published twice yearly to ensure early involvement of all concerned parties.

Past Accomplishments

In 1985, the Agency continued the Small Business Representative program, which involves seven regional offices, and assists small businesses in understanding FDA laws and regulations and, as requested, provides for visits to small companies to discuss their concerns. The service desks are each staffed with a Small Business Representative (SBR) and are located in East Orange, New Jersey; Philadelphia; Dallas; Chicago; Atlanta; San Francisco; and Denver.

FDA continued field activities providing technical assistance including on-site visits to small manufacturers; publication of a Small Manufacturers Assistance newsletter with assistance from industry; and conduct of GMP, regulatory,and import/export workshops. The Agency also continued development and distribution of four major workbooks for small manufacturers, "Regulatory Requirements for Marketing a Medical Device," "Device Good Manufacturing Practices," "Import/Export of Medical Devices," and "Sterile Medical Devices."

Current Activities

In 1986, the Agency will continue to implement the Regulatory Flexibility Act, which requires FDA to identify agency activities which may have a significant impact on small businesses in order to reduce the impact of rules and paperwork requirements on small businesses, and, with the SBR's, continue technical assistance to small medical device manufacturers. Workshops to educate small manufacturers will reach over 1,000 members of small firms.

Plan of Work

In 1987, the Agency will continue its current activities, especially. (1) promoting regulatory flexibility for small business, (2) conducting retrospective and prospective reviews of selected major agency initiatives as they affect small business, (3) developing new methods of educating small manufacturers about FDA requirements.

RENTAL PAYMENTS TO GSA

Standard Level User Charges (SLUC)
($000)

	1986	1986 After Sequestration	1987
Rental Payments to GSA	$25,733	$24,627	$28,372

The Administration is proposing that in 1987 the Agency's rent costs be included, as they were in 1982 and prior years, in the Program Management activity of FDA's Program Expenses Appropriation. This would eliminate the need for adjustment by legislation should FDA's SLUC charges vary from the amount appropriated. A number of factors, aside from rate changes and changes in total space, can affect SLUC expenses. For example, in 1983 FDA leased a new laboratory facility in Chicago which was obtained under a direct-lease delegation of authority from GSA. Since FDA pays the lessor directly, this reduces SLUC costs, but will not reduce FDA's total space costs. Also, if GSA directs FDA to relocate one of its district offices due to problems with leasing or maintaining the current facility, the total space and the cost of newly leased space could significantly affect the SLUC costs. The estimate for 1987 is based on information the Agency has received from GSA as to the projected rates for each location, multiplied by the amounts of space, by type, FDA expects to occupy in 1987.

FDA occupies about 2.5 million net square feet of space covered by GSA rental charges. About 55 percent of these charges are for facilities in the Washington area, of which the largest are the Parklawn Building and Federal Building 8. The major field expenses, of course, are for the Agency's District Offices, although the Agency also has about 130 small leased offices as resident posts for field investigators, which provide significant savings in time as well as travel costs, and provide for a wide geographic dispersion of FDA staff to enable them to respond to emergency situations.

Rental costs do not apply to those facilities owned and operated by FDA, including primarily the National Center for Toxicological Research and Module #1, nor to facilities at NIH or the Beltsville Agriculture Research Center, for which FDA reimburses the other agencies directly for expenses incurred in operating and maintaining the facilities provided for FDA. The rental charges shown above also do not include the special services for which FDA must pay GSA on a reimbursable fee-for-service basis, such as special guard services and the provision of around-the-clock heating and air conditioning where required for FDA's laboratory work.

FOOD AND DRUG ADMINISTRATION
PROGRAM EXPENSES
BUILDINGS AND FACILITIES

	Base		Actual/Request		Percent Change	
	Full-time Equivalent	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
1985 Actual			---	1,450,000		
1986 Appropriation Estimate..................			---	1,450,000 1/		
P.L. 99-190 Reduction (6/10 of 1%).........	---	---	---	- 9,000		
P.L. 99-177 Reduction (Sequestered)........	---	---	---	-62,000		
1986 Revised Spending Authority..............	---	---	---	1,379,000		
1986 Current Estimate	---	---	---	1,441,000		
1987 Budget Request	---	1,441,000	---	1,450,000	---	0.6%
(Net Change from 1986 Current Estimate)..			(---)	(9,000)		

1/ Previously appropriated as a separate account.

FOOD AND DRUG ADMINISTRATION

BUILDINGS AND FACILITIES

APPROPRIATION SUMMARY

	Actual/Request Amount
1985 Actual Obligations	$ 1,450,000
1986 Appropriation	1,441,000
1986 Sequestration	- 62,000
1986 Net Available	1,379,000
Unobligated balance, start of period	10,034,000
Unobligated balance, end of period	---
1986 Total Obligations	11,413,000

For 1987, $1,450,000 for Buildings and Facilities projects is included in the request for Program Expenses. The funds obligated in 1986 and prior years will remain in the separate Buildings and Facilities account until actually expended.

BUILDINGS AND FACILITIES

Increase

FDA is requesting $1,450,000 for the Buildings and Facilities program in 1987.

Need for Increase

Continued funding for repairs and improvements is essential in order to protect the Government's investment in facilities, prevent deterioration, and allow FDA to conduct activities which are essential to meet program requirements and maintain the Agency's scientific capability. Construction of Module #1 is nearly complete and the facility should be ready for occupancy in the Spring of 1986. At the same time, continued repairs, modifications, and improvements to FDA's headquarters and field facilities must be made to protect and secure the Government's investment in these properties, ensure employee safety, meet changing program requirements, and permit the Agency to keep its laboratory methods current.

Plan of Work

A. General Repairs and Improvements to FDA Field Facilities Nationwide...$ 950,000

The funds requested are necessary for repair and improvement projects throughout field installations to improve safety and the working environment of employees, eliminate barriers to the handicapped, improve operational capabilities, and maintain existing buildings and facilities in proper condition. This funding will provide for such projects as new fume hoods, remodeling to provide adequate space for new scientific instruments, purchasing and installing fixed laboratory equipment as a result of laboratory relocation, remodeling to provide or improve special use space such as sample preparation rooms, glassware washing and drying, and improvement of laboratory electric and plumbing service.

B. Repairs and Improvements to Veterinary Research Facilities at the Beltsville Agriculture Research Center....................$90,000

Requested funds will provide for repairs to plumbing and electrical systems and for other improvements to buildings rented from the Beltsville Agricultural Research Center, many of which are nearly fifty years old. Although FDA's long range plans include new laboratory space for veterinary research in Module #2, the Agency needs to continue maintenance and improvements to the current facilities to retain an effective research program.

C. Miscellaneous Repairs at NCTR..............................$410,000

The following repairs are required to keep the NCTR physical plant in a good state of repair:

- Repair or replacement of deteriorated roof decks and repair of flashing on various NCTR buildings. The replacement of the roofs on some older buildings is also required.

- Patching and repair of existing asphalt roads and parking areas to eliminate deterioration due to severe winter weather and heavy truck traffic.

- Replacement of scale-plugged or deteriorated heating and cooling coils and worn out ventilating fans in various NCTR buildings.

- Rehabilitation and repair of the exterior lighting system, which is extremely old and deteriorating and will require substantial replacement and/or repair.

AGENCY ADP SUMMARY

Estimated Obligations, 1986	$26,899,000
Estimated Obligations, 1987	25,889,000
Change in Obligations	-$1,010,000

Summary of Source and Distribution of ADP Funds

Source:	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Appropriated	$23,399,000	+$590,000	$23,989,000
Reimbursable	3,500,000	-$1,600,000	1,900,000
TOTAL	$26,899,000	-$1,010,000	$25,889,000
Distribution:			
Agency (In-House)	$19,437,000	-$ 27,000	$19,410,000
Outside Agency	7,462,000	-$ 983,000	6,479,000
TOTAL	$26,899,000	-$1,010,000	$25,889,000

NOTE: Reimbursable funds of $3,500,000 in 1986 and $1,900,000 in 1987 are for systems development and implementation provided by NCTR to the other agencies within the Federal Government.

The diversity of FDA's programs is reflected in the variety of its automated information systems. Automation enhances laboratory testing and research, makes possible the conduct of regulatory actions within reasonable time frames, and is essential to the planning and monitoring of field resources. Moreover, the automated capacity to access, communicate, and cross-reference this information makes possible a level of interaction among Agency functions which would not exist without these information systems.

One of FDA's fundamental responsibilities is responding within legislated time frames to industry submissions for approval of new products. Automation makes it possible to index this data and to track the status of internal actions taken on the submission. At the same time, these information systems form the essential reference source for subsequent compliance actions, research, or additional submissions related to the product in question. Without ready access to information on past Agency action on regulated products, each new action would be made in ignorance of relevant information.

About 40 percent of the Agency's total personnel are located in field offices which are required to carry out establishment inspections, sample collection, and laboratory testing. In addition, automated analysis of inspectional and other field activities is essential to the evaluation of field performance and the ability to respond quickly to changing requirements for field action.

Many of the laboratory applications are closely associated with sophisticated analytical equipment which produces a volume and complexity of data which could not be analyzed or even collected by hand. Automated systems multiply both the capacity and the level of complexity with which staffs can conduct the research and testing that are the basis for FDA's regulatory decisions and actions. Thus, automation is particularly important in making the most effective use of scientific personnel with critical skills and disciplines.

One of the most effective applications for improving the utilization of Agency resources is the compilation and analysis of data on the effectiveness of and adverse reactions to regulated products, and the extent and manner in which certain products are used. This type of data is necessary for FDA to determine those types of products which may require further study, compliance action, or changes in regulation. Other applications involve the creation and maintenance of epidemiological data bases. This data not only forms a basis for effective and timely action on urgent problems, but also serves as an important guideline for Agency priority setting.

This ability to store and access data from outside the Agency, combined with analysis of data which is produced within the Agency or is legally required to be submitted to FDA, provides one of the most important long-range qualitative benefits of automation. Without the ability to retrieve data on the history, usage, research, and experience with regulated products, the Agency simply could not make informed decisions, either on individual product approvals or actions, or in planning its regulatory strategy and the need for development of new skills and methods.

In summary, automated information handling and analysis not only provide the economies and efficiencies available from current technology, but more importantly enhance the Agency's scientific capabilities, enable FDA to conduct its regulatory and compliance activities in an informed and timely manner, enables Agency management to direct and evaluate the use of its resources over a wide range of programs, and provides the foundation of information on regulated products to permit informed decisions which will most effectively ensure that the consumer can obtain safe, effective, and economical products.

Center for Food Safety and Applied Nutrition

Estimated Obligations, 1986	$4,097,000
Estimated Obligations, 1987	3,786,000
Change in Obligations	-$311,000

Summary of Increases and Decreases

Item of Change	1986 Estimated	Increases (+) or Decreases (-)	1987 Estimated
All ADP Systems (1)	$4,097,000	-$311,000	$3,786,000
TOTAL	$4,097,000	-$311,000	$3,786,000

Justification of Increases and Decreases

A Decrease of $311,000 for All ADP Systems

The decrease is a result of the one-time expenditures which will occur in 1986 because of the opening of Module I at Beltsville.

Explanation of Major ADP Aplications

Pathology Data System

Pathologists perform the very critical function of examining tissues of test animals to determine the effects of test materials. The examinations are for in-house studies and also for quality control and checking of studies done under contract and by industry in support of petitions. FDA has implemented a system which utilizes specially designed work stations for data capture.

Animal Room Toxicological Data Collection System

An existing system which utilizes work stations to record day-to-day test animal activity is currently being tested and is expected to be implemented in FY86. The data from this system is combined with above information (Pathology) to give a full history of each animal and test results.

Food Monitoring Data Base System

The Center maintains numerous and diverse food monitoring files. Files of food composition, food consumption and food contamination contain data the Center obtained from more than a score of files. The Center is designing a system to combine data from a number of these files. Objectives include the determination of consumption of food additives or contaminants by demographic characteristics.

Low-Acid Canned Food Process Reporting System

To aid the Agency in its continuing efforts to control botulism, all low-acid canned food processes are reviewed and kept on file. The compliance program requires each processor to file certain basic information with respect to every process and to keep FDA up-to-date on changes which take place. District offices have access to the file as an inspectional aid. The system facilitates the Agency's evaluation of the safety of the various processes.

Food Additives Petition Information System (A SIREN Module)

The Food Additives Petition Information System was developed to provide timely access to information in industry food additives petitions. The information is necessary for petition review, cyclic reevaluation, Good Laboratory Practices enforcement and Freedom of Information requests. The system consists of an automated cross-reference index to the large manual files of Food Additive petitions.

Scientific Information Retrieval and Exchange Network (SIREN)

SIREN is a comprehensive scientific information network modularly designed to incorporate a variety of information subsystems. Where there is common information content, SIREN provides a link for simultaneous cross-referencing of each subsystem through common indexing parameters. The result is timely and comprehensive information retrieval across numerous important agency files. The on-line computer system for information retrieval is merely one tool in support of the SIREN concept. Information storage, retrieval and dissemination are also supported through modern records management procedures. As SIREN matures and incorporates additional subsystems, it will reduce the problem of scientific reviewers having a wealth of information on file with no effective means of access.

Center for Food Safety & Applied Nutrition
Summary of Source and Distribution of ADP Funds
(Estimated Obligations)

Source:	1986 Estimated	Increase (+) or Decrease (-)	1986 Estimated
Appropriated	$4,097,000	-$311,000	$3,786,000
Reimbursable	---	---	---
TOTAL	$4,097,000	-$311,000	$3,786,000
Distribution:			
Agency (In-House)	$2,912,000	-$386,000	$2,526.000
Outside Agency	1,185,000	+ 75,000	1,260,000
TOTAL	$4,097,000	-$311,000	$3,786,000

Center for Drugs and Biologics

Estimated Obligations, 1986	$4,541,000
Estimated Obligations, 1987	4,933,000
Change in Obligations	+$392,000

Summary of Increases and Decreases

Item of Change	1986 Estimated	Increases (+) or Decreases (-)	1987 Estimated
All ADP Systems (1)	$4,541,000	+$392,000	$4,933,000
TOTAL	$4,541,000	+$392,000	$4,933,000

Justification of Increases and Decreases

An increase of $392,000 reflects general increases in personnel and other operating costs, together with purchases of equipment and contract support to support enhancements in the New Drug Evaluation Process.

Explanation of Major ADP Applications

Centerwide Management Information System

The Centerwide Management Information System provides a unified approach to the storage and retrieval of management information relative to the receipt and review status of Notices of Claimed Investigational Exemptions for New Drugs, New Drug Applications, Abbreviated New Drug Applications, and related submissions. The system identifies reviewers assigned to specific submissions, initiation and completion dates of reviews and the action taken on each submission. The system provides a means of monitoring the submissions of periodic reports and responses to deficiency letters. Therapeutic classifications and drug categories assist in expediting and monitoring reviews of new chemical entities and products which represent the greatest therapeutic potential. This system also provides the necessary information to track the current status of application reviews and assignments and to manage workloads.

Drug Experience Information System

The Drug Experience Information System maintains an on-line database and a batch data file consisting of adverse reactions to marketed drugs as reported by manufacturers, hospitals, physicians and other health professionals. Data retrieved from the system are used during daily review of new adverse reaction reports, for epidemiological studies of adverse drug reactions, for the drug review process, as an input source to the World Health Organization, and for answering Freedom of Information requests.

Biologics Regulatory Management System

This system is the Center's biological product regulatory management system. The Licensing module contains enhanced product code definitions, data concerning manufacturing processes, potency test types for standardized allergenic extracts and additional product labeling information. It also tracks pending (pre-license) applications. The Registration module will continue to contain establishment registration and product listing data submitted by blood product manufacturers. The Inspection module contains summary data of all inspections performed on licensed establishments and nonblood, non-plasma establishment inspections. This system provides data to the Lot Release System which tracks the protocol review and sample testing of all manufactured lots of biological products.

Scientific Information Systems

These systems provide various types of laboratory automation, as well as biostatistical and other scientifically oriented support. Automation also improves the efficiency of collection and analysis of data from such instruments as mass spectrometers, cytofluorographs, amino acid analyzers, gas and liquid chromatographs, and image analyzers. These and other computer-based instruments enable the Center to increase the level of effort associated with AIDS research, drug bioequivalence testing, chemically synthesized biologics, recombinant DNA technologies, interferon and monoclonal antibodies.

ASTRO-4 Drug Information System

ASTRO-4 contains information on New Drug Applications, Claimed Exemptions of New Drugs for Investigational Use, and Abbreviated New Drug Applications including such items as drug manufacturers, drug names, therapeutic equivalence status, drug usage, and status of drug applications. Data in the various files of the system support the new drug evaluation process, the preparation of special purpose reports on individual drugs or classes of drugs, and the publication of the Approved Prescription Drug Products with Therapeutic Equivalence Evaluations

Center for Drugs and Biologics
Summary of Source and Distribution of ADP Funds
(Estimated Obligations)

Source:	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Appropriated.....	$4,541,000	+$392,000	$4,933,000
Reimbursable.....	---	---	---
TOTAL..........	$4,541,000	+$392,000	$4,933,000
Distribution:			
Agency (In-House)	$3,981,000	+$367,000	$4,348,000
Outside Agency...	560,000	+ 25,000	585,000
TOTAL..........	$4,541,000	+$392,000	$4,933,000

Center for Veterinary Medicine

Estimated Obligations, 1986	$1,229,000
Estimated Obligations, 1987	1,364,000
Change in Obligations	+$ 135,000

Summary of Increases and Decreases

Item of Change	1986 Estimated	Increases (+) or Decreases (-)	1987 Estimated
All ADP Systems (1)	$1,229,000	+$135,000	$1,364,000
TOTAL	$1,229,000	+$135,000	$1,364,000

Justification of Increases and Decreases

An increase of $135,000 for all ADP applications

An increase of $135,000 will provide for general operating cost increases as well as system hardware improvements to meet the requirements of increased user demand.

Explanation of Major ADP Applications

New Animal Drug Application (NADA) System

This system is necessary to support the review of previously approved animal drugs to determine whether potential risks to human health may have become known since a drug was originally approved for use in food-producing animals. This system references a large quantity of detailed information pertaining to the studies and other information submitted by sponsors of NADAs. This system also involves the codification of data going back over many years, and cross-references study data on similar drugs used singly or in combination, under different trade names, and in different applications or in different species. The collection and systemization of this data from the tremendous volume of hard copy files accumulated over the years is essential to ensure that all relevant data, both past and current, is available in order to review all of the experience with drugs under study or review.

Center for Veterinary Medicine
Summary of Source and Distribution of ADP Funds
(Estimated Obligations)

Source:	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Appropriated	$1,229,000	+$135,000	$1,364,000
Reimbursable	---	---	---
TOTAL	$1,229,000	+$135,000	$1,364,000
Distribution:			
Agency (In-House)	$ 861,000	+$ 60,000	$ 921,000
Outside Agency	368,000	+ 75,000	443,000
TOTAL	$1,229,000	+$135,000	$1,364,000

Center for Devices and Radiological Health

Estimated Obligations, 1986	$3,129,000
Estimated Obligations, 1987	3,300,000
Change in Obligations	+$ 171,000

Summary of Increases and Decreases

Item of Change	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
All ADP Systems (1)	$3,129,000	+$171,000	$3,300,000
TOTAL	$3,129,000	+$171,000	$3,300,000

Justification of Increases and Decreases

An increase of $171,000 for all ADP applications.

This net increase reflects increases in maintenance and other operating costs and in Parklawn Computer Center usage as the Pacemaker Registry is implemented.

Explanation of Other Major ADP Applications

Laboratory Automation Systems

Laboratory automation systems assist the Agency in controlling experiments, and acquiring and analyzing data from those experiments. These minicomputer-based systems allow operators to access and control remotely experimental equipment in a non-hazardous environment and allow for the conduct of lengthy experiments which could not otherwise be accomplished. Such systems are now being used to support bioeffects research in the microwave, ultrasound, and light areas; to support nuclear medicine equipment such as whole body scanners and gamma cameras; to support physics research in diagnostic x-ray and ultrasound; and to support performance standards in x-ray, light, and microwave areas.

Compliance Activities Planning and Evaluation System

This system assists in control, analysis, and decision making with respect to data submitted under the requirements of the Radiation Control for Health and Safety Act (P.L. 90-602). The database consists of data on the manufacture, assembly, and test results of various products, such as x-ray equipment, microwave ovens, television receivers, and lasers.

Pacemaker Registry

The Deficit Reduction Act of 1984 requires FDA to maintain a Pacemaker Registry which will help HHS to determine when Medicare payments may properly be made for pacemaker device implants and re-implants, to track pacemaker performance and to determine when testing of allegedly malfunctioned pacemakers should be performed. The data for the registry will be collected by the Health Care Financing Administration and transmitted to FDA for analysis. It is estimated that approximately 120,000 pacemaker implantations and 30,000 lead replacements will be reported to the registry per year. These numbers can be expected to increase annually as the elderly population increases.

Medical Device Reporting (MDR) and Device Experience Network (DEN) System

This system collects experience data on medical devices. The MDR regulation requires manufacturers and importers of medical devices to report to FDA any information that reasonably suggests that the firm's device may have caused or contributed to a death or serious injury or has malfunctioned and, if the malfunction recurs, is likely to contribute to a death or serious injury. The Device Experience Network data concerning problems with medical devices is voluntarily submitted by healthcare professionals.

Center for Devices and Radiological Health
Summary of Source and Distribution of ADP Funds
(Estimated Obligations)

Source:	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Appropriated........	$3,129,000	+$171,000	$3,300,000
Reimbursable........	---	---	---
TOTAL............	$3,129,000	+$171,000	$3,300,000
Distribution:			
Agency (In-House)	$2,729,000	+$ 71,000	$2,800,000
Outside Agency......	400,000	+$100,000	500,000
TOTAL............	$3,129,000	+$171,000	$3,300,000

National Center for Toxicological Research

Estimated Obligations, 1986	$6,151,000
Estimated Obligations, 1987	$4,929,000
Change in Obligations	-$1,222,000

Reimbursable funds of $3,500,000 in 1986 and $1,900,000 in 1987 are for systems developement and implementation provided by NCTR to other agencies within the Federal Government.

Summary of Increases and Decreases

Item of Change	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
All ADP Systems (1)	$6,151,000	-$1,222,000	$4,929,000
TOTAL	$6,151,000	-$1,222,000	$4,929,000

Justification of Increases and Decreases

(1) Decrease of $1,222,000 for all ADP systems

The decrease of $1,222,000 for all systems reflects the net effect of operating cost increases and the phase-out of all NTP software development and maintenance and liaison support of the contract laboratories. NCTR will continue to provide central computer support until NIEHS has established a local computer facility.

Explanation of Other Major ADP Applications

Breeding Information System

The Breeding Information System supports monitoring and controlling the NCTR breeding colony. The system records detailed heredity information and permits automatic allocation of animals according to experimental protocol requirements. The genetic data enable scientists to correlate later experimental results and determine if any of the findings may be genetically induced rather than compound-related.

Diagnostics System

The Diagnostics System records and reports microbiological analyses of all samples taken throughout the course of an experiment. The system reports all results of testing by the microbiology laboratories, including bacteria, virus, parasite or mold identification and concentration. The ability to review this data enables scientific personnel to maintain proper controls and the clean environment necessary for valid experiments.

Chemistry System

The Chemistry System maintains data from all chemical analyses. Samples are taken for each experiment from feed, water, animal wastes, and cage materials. Personnel and facilities are also tested regularly to ensure the safety of personnel and to prevent contamination of the environment.

Diet Preparation System

This system utilizes interactive terminals to collect and retrieve data pertaining to Diet Preparation activities. These files reflect daily activities, purchase orders in progress, lots of feed in transit between areas, and current inventory stock levels of ingredients available for the preparation of animal diets.

Research Activity Tracking System

The NCTR Research Activity Tracking System is a software package designed to provide the reseachers and management of the Center with an interactive tool for monitoring on-going activities, within both the research and support areas. This system will be developed in a phased approach with the initial phase providing support for the entry of experiment plans and the entry of actual time charged against tasks within approved experiment plans. Subsequent phases of the development of this system will provide support for resource allocations, impact modeling, and enhanced reporting capabilities.

Toxicology Data Management System (TDMS)

The TDMS is a comprehensive system for the collection, maintenance, analysis and reporting of bioassay data. This system, which has been in use since 1979, currently supports animal studies conducted both at NCTR and in the NTP testing laboratories. The system includes subsystems for experiment data collection, protocol and status of each experiment, and pathology data collection.

Reimbursable Support to the National Toxicology Program (NTP)

A major portion of the ADP support which FDA has provided to NTP under a reimbursable agreement will end in 1986. NIEHS will be assuming responsibility for continuing software development and maintenance and for liaison support of the contract laboratories. NCTR will continue to provide central computer support until NIEHS has established a local computer facility (estimated to be complete during 1988).

National Center for Toxicological Research
Summary of Source and Distribution of ADP Funds
(Estimated Obligations)

Source:	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Appropriated........	$2,651,000	+$ 378,000	$3,029,000
Reimbursable........	$3,500,000	-$1,600,000	$1,900,000
TOTAL.............	$6,151,000	-$1,222,000	$4,929,000
Distribution:			
Agency (In-House)	$1,802,000	+$ 11,000	$1,813,000
Outside Agency......	$4,349,000	-$1,233,000	$3,116,000
TOTAL.............	$6,151,000	-$1,222,000	$4,929,000

Office of Regulatory Affairs

Estimated Obligations, 1986	$4,144,000
Estimated Obligations, 1987	3,864,000
Change in Obligations	-$280,000

Summary of Increases and Decreases

Item of Change	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Field Information System (1)	$4,144,000	-$ 280,000	$3,864,000
TOTAL	$4,144,000	-$ 280,000	$3,864,000

Justification of Increases and Decreases

(1) A decrease of $280,000 for the Field Information System (FIS)

Need for ADP Application: The Field Information System is a nationwide management information system on field activities, including detailed data on inspections, sample collections, and analyses performed at each of FDA's district offices and at the specialized laboratories. It is based on the concept of locating data under the control of the field users, with continuous interaction with headquarters activities. Management information, inspection reports, and analysis data utilize the same basic system equipment.

The decrease of $280,000 represents the net effect of inflationary increases and savings achieved through delaying the replacement of aging pheripheral components and the efficiency of distributing workload among local microprocessors as opposed to a central minicomputer.

Implementation Plan: Detailed plans developed for the laboratory phase of the system have been modified because of advancing technology. Current plans are to defer purchase and installation of the needed equipment in 1986 and 1987, providing first for those locations with the greatest lab information handling requirements.

Over the longer range, further applications of the FIS will be studied. During 1986 plans are to gradually expand the processing capabilities of the basic FIS system, based on a recognition that the original configuration can no longer effectively handle the processing load being imposed by existing and newly proposed applications.

Explanation of ADP Applications

The FIS concept embodies the location of data input and control in Field Offices as well as at Headquarters, which results in improved currency of all information. The essential purposes of this system are:

(1) Input of data from the field locations for review and compilation at headquarters.
(2) Dissemination of data from headquarters to the field offices.
(3) Timely access by headquarters Center staffs to information on field compliance and laboratory activities.
(4) Compilation and analysis of laboratory test data within the field offices, and the related transmission of this data in a timely and economic manner to headquarters.
(5) Compilation and analysis of sample collection and inspection data within the field offices, which is also available to headquarters.
(6) Reporting and analysis of data on utilization of field resources, particularly staff time to allow both the district offices and headquarters to assure that both laboratory and inspectional resources are being effectively applied to planned Agency needs.

In addition to the former Program Oriented Data System (PODS), the Official Establishment Inventory (OEI), and the Laboratory Management System (LMS), other applications which were integrated with the FIS include the Pesticide System, which reports data on the collection and analysis of samples for pesticide and heavy metal residues, the Consumer Complaint System which reports actions taken on complaints about products regulated by FDA, and the Manpower Utilization System (MUS) which reports personnel statistics such as average grades, actual and on-board manning levels, etc., to management.

Office of Regulatory Affairs
Summary of Source and Distribution of ADP Funds
(Estimated Obligations)

Source:	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Appropriated........	$4,144,000	-$280,000	$3,864,000
Reimbursable........	---	---	---
TOTAL.............	$4,144,000	-$280,000	$3,864,000
Distribution:			
Agency (In-House)	$3,994,000	-$280,000	$3,714,000
Outside Agency......	150,000	---	150,000
TOTAL.............	$4,144,000	-$280,000	$3,864,000

Office of the Commissioner

Estimated Obligations, 1986	$3,608,000
Estimated Obligations, 1987	$3,713,000
Change in Obligations	+$ 105,000

Summary of Increases and Decreases

Item of Change	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
All ADP Systems (1)	$3,608,000	+$105,000	$3,713,000
TOTAL	$3,608,000	+$105,000	$3,713,000

Justification of Increases and Decreases

A net increase of $105,000 to all ADP Systems.

An increase of $105,000 reflects general increases in personnel and other operating costs.

Explanation of Major ADP Applications

Umbrella Accounting System

The Umbrella Accounting System records, tracks, and provides management reports on all Agency financial transactions, including input from field activities. This system is maintained under departmental accounting standards and system specifications, and will be modified as necessary to comply with new department-wide requirements.

Time and Attendance Data Collection System

This system collects and edits time and attendance data, produces error reports and creates consolidated data for input to the Departmental Central Payroll System.

Office of the Commissioner
Summary of Source and Distribution of ADP Funds
(Estimated Obligations)

Source:	1986 Estimated	Increase (+) or Decrease (-)	1987 Estimated
Appropriated	$3,608,000	+$105,000	$3,713,000
Reimbursable	---	---	---
TOTAL	$3,608,000	+$105,000	$3,713,000
Distribution:			
Agency (In-House)	$3,158,000	+$130,000	$3,288,000
Outside Agency	450,000	-$25,000	425,000
TOTAL	$3,608,000	+$105,000	$3,713,000

TOTAL RESOURCES AVAILABLE

	1986 Before Sequestration	1986 After Sequestration		1987	
	Amount	Full-time Equivalent	Amount	Full-time Equivalent	Amount
Program Expenses 1/........	$421,747,000	6,757	$403,612,000 4/	6,757	$423,600,000
User Charge Collection.....	—	—	—	—	25,800,000
Parklawn Computer Center...	— 2/	120	—	120	— 1/
Revolving Fund for Certification and Other Services 3/.............	2,624,000	45	2,511,000	45	2,799,000
Advances and Reimbursements	6,000,000	20	6,000,000	20	6,000,000
TOTAL....................	$430,371,000	6,942	$412,123,000	6,942	$458,199,000

1/ Includes Buildings and Facilities.

2/ Personnel within the Parklawn Computer Center are administratively assigned to FDA. However, the Center is financed through a revolving fund operated by the Health Resources and Services Administration.

3/ FDA certifies batches of insulin and color additives used in foods, drugs, medical devices, and cosmetics. These services are financed wholly from fees paid by the industries affected.

4/ Includes $198,000 not available (Section 515 Withholding).

OBLIGATIONS BY OBJECT ($000)
Program Expenses Appropriation

	1986 After Sequestration	1987 Estimate	Increase or Decrease	Percent Change
Full-time permanent...........	6,382	6,382	---	---
Other.........................	375	375	---	---
Average number of Full-time Equivalents.........	6,757	6,757	---	---
Average ES Salary............	$67,084	$67,084	---	---
Average GS/GM Grade..........	10.3	10.3	---	---
Average GS/GM Salary..........	$33,976	$34,389	413	1.2%
Personnel compensation.				
Full-time permanent.........	215,776	211,586	-4,190	- 1.9%
Other.......................	9,697	9,815	118	1.2%
Other personnel compensation..............	4,710	4,813	103	2.1%
Special personnel services..	236	241	5	2.0%
Subtotal, personnel compensation.............	230,419	226,455	-3,964	- 1.7%
Personnel benefits..........	30,733	32,072	1,339	4.3%
Travel and transportation of persons................	8,640	9,536	896	10.3%
Transportation of things....	1,691	1,369	- 322	-19.0%
Standard Lever User Charges.	24,627	28,372	3,745	15.2%
Rental payments to others...	980	2,025	1,045	106.6%
Rent, communications and utilities.................	13,327	15,211	1,884	14.1%
Printing and reproduction...	2,438	2,682	244	10.0%
Contracts and other services..................	59,328 1/	70,599 1/	11,271	18.9%
Supplies and materials......	11,805	13,208	1,403	11.8%
Equipment...................	12,950	14,561	1,611	12.4%
Grants, subsidies and contributions.............	5,654	6,285	631	11.1%
Insurance claims and indemnities..............	822	1,225	403	49.0%
Total......................	403,414	423,600 2/	20,186	5.0%

1/ Includes $1,450,000 for Buildings and Facilities which was appropriated as a separate account in 1986, ($1,379,000 is included in 1986 for comparability).

2/ Not including obligations of $25,800,000 to be paid from User Charge collections.

ESTIMATES FOR CONSULTING AND RELATED SERVICES

	Obligations ($000)	
	1986	1987
Total Consulting and Related Services (As defined by OMB Circular A-120)	$ 1,784	$ 1,982

All of FDA's consulting services are included in the Program Expenses account. The estimate for fiscal year 1986 has been reduced by $198,200 which must be withheld from obligation in accordance with section 515 of the Treasury-Postal Service Appropriations Act for 1986. (FDA does not have any consulting services for program evaluation.)

FDA uses consulting and related services to obtain expertise which is not feasible to maintain on the permanent staff. Because of the broad range of products that FDA regulates and the complexity of skills needed to evaluate them, it is essential for the Agency to call upon a variety of experts in academia and the private sector in order to ensure that Agency decisions are based on the best available scientific advice. In addition, experts from specialized disciplines advise both headquarters and field offices on both health issues and the latest laboratory methodology. Contractual services also assist in gathering a range of opinion for Agency decision-making, through such means as surveys and economic analyses.

It should be noted that these services comprise less than one-half of one percent of FDA's operating budget. To retain on permanent staff the expertise available through consultants would be far more costly.

All of FDA's major programs utilize consulting services in varying degrees depending on special needs as they arise. Appointive consultants are essential for providing scientific input from a variety of sources into the Agency's regulatory decisions. Other appointive consultants include expert advisors with specialized knowledge not available within the permanent staff who assist in maintaining up-to-date laboratory and inspection practices. In addition, standing Advisory Committees, such as the Anti-infective Drugs Advisory Committee, are essential to provide expert opinion on both new drugs and on problems encountered with marketed drugs. Medical Device Advisory Committees, such as the Respiratory and Nervous System Devices Panel, are specifically required by the 1976 Medical Device Amendments. Contract services are used to obtain a range of scientific expertise on key problems in such areas as nutrition and food safety.

AUTHORIZING LEGISLATION

Legislation	Authorizing Legislation	1986 Before Sequestration Estimate	1986 Revised Obligations After Sequestration	1987 Estimate
Federal Food, Drug, and Cosmetic Act.........	Indefinite	$362,706,000	$347,110,000	$364,098,000
Fair Packaging and Labeling Act.............	"	100,000	96,000	100,000
Import Milk Act............	"	5,000	5,000	5,000
Import Tea Act.............	"	93,000	89,000	93,000
Public Health Service Act..	"	58,843,000	56,312,000	59,304,000
TOTAL 1/................		$421,747,000	$403,612,000 2/	$423,600,000

1/ Includes Buildings and Facilities

2/ Includes $198,000 not available (Section 515 Withholding)

PROGRAM EXPENSES
TABLE OF
ESTIMATES AND APPROPRIATIONS

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1977	223,105,000	241,977,000	241,977,000	241,977,000
1978	275,743,000	273,019,000	275,743,000	276,243,000
1979	294,304,000	289,854,000	295,454,000	295,154,000
1980	316,296,000	316,296,000	307,796,000	312,796,000
1981	322,670,000 1/	319,535,000	322,670,000	321,035,000
1982	336,032,000 2/	336,032,000	328,032,000	328,032,000
1983	356,163,000	349,130,000	349,130,000	349,130,000 3/
1984	382,483,000 4/	382,004,000	386,574,000	382,574,000 3/
1985	392,554,000 4/	394,262,000	398,144,000	409,694,000 3/
1986	417,400,000 4/	418,258,000	425,517,000	420,306,000 3/
1986 Sequester	-18,073,000			
1987	423,600,000 5/			

1/ Revised budget estimate, original request was for $332,799,000.

2/ Revised budget estimate, initial request was for $352,974,000.

3/ Includes Standard Level User Charges (SLUC) which was established as a separate account for $18,942,000 in 1983; $22,164,000 in 1984; $26,072,000 in 1985; and $25,888 in 1986.

4/ Does not include Buildings and Facilities, which was appropriated as a separate account for $3,450,000 in 1984 and $1,450,000 in 1985 and $1,441,000 in 1986. 1986 estimate includes Budget Amendment of $9,778,000 to restore 5% pay cut.

5/ Includes $1,450,000 for Buildings and Facilities, formerly appropriated as a separate account.

BUILDINGS AND FACILITIES
TABLE OF
ESTIMATES AND APPROPRIATIONS

YEAR	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1977	3,125,000	3,125,000	3,125,000	3,125,000
1978	3,515,000	6,665,000	6,665,000	6,665,000
1979	11,984,000	10,459,000	10,459,000	10,459,000
1980	4,372,000	4,372,000	29,372,000	4,372,000
1981	29,663,000	28,253,000	28,253,000	28,253,000
1982	--- 1/	---	---	---
1983	---	---	---	875,000 2/
1984	3,450,000 3/	4,875,000	5,875,000	18,742,000 4/
1985	1,450,000 3/	1,435,500	1,450,000	1,450,000
1986	1,450,000 3/	1,450,000	1,450,000	1,441,000
1986 Sequester	- 62,000			
1987	--- 5/			

1/ Revised budget estimate; initial request was $15,000,000.

2/ $875,000 appropriated in the Jobs Bill Supplemental Appropriations.

3/ Funding of facilities projects in 1984 and 1985 was included in the Program Expenses request but appropriated in this account.

4/ Includes $4,875,000 in the initial 1984 Appropriation and $13,867,000 by a Supplemental Appropriation.

5/ $1,450,600 for Buildings and Facilities projects is included in the Program Expenses request for 1986.

FULL-TIME AUTHORIZED POSITIONS BY GRADE AND LOCATION (SALARIES AND EXPENSES)

	1985			1986			1987		
Grade	Metro D.C. Area	Outside D.C.	Total	Metro D.C. Area	Outside D.C.	Total	Metro D.C. Area	Outside D.C.	Total
ES-5.......	3	0	3	3	0	3	3	0	3
4.......	51	8	59	51	8	59	51	8	59
3.......	10	6	16	10	6	16	10	6	16
2.......	8	4	12	8	4	12	8	4	12
1.......	8	2	10	8	2	10	8	2	10
Subtotal...	80	20	100	80	20	100	80	20	100
GS-16......	2	1	3	1	1	2	1	1	2
GS/GM-15...	216	40	256	211	39	250	205	38	243
14...	415	123	538	398	118	516	386	114	500
13...	799	410	1,209	757	395	1,152	734	383	1,117
GS-12......	398	582	980	378	560	938	366	543	909
11......	327	596	923	311	575	886	302	558	860
10......	10	5	15	10	5	15	9	5	14
9......	128	198	326	122	192	314	120	186	306
8......	70	53	123	68	51	119	66	50	116
7......	208	270	478	199	261	460	192	253	445
6......	235	153	388	223	148	371	216	144	360
5......	267	299	566	254	289	543	247	280	527
4......	165	152	317	157	147	304	152	142	294
3......	114	48	162	109	46	155	106	45	151
2......	20	6	26	19	6	25	18	6	24
1......	5	1	6	5	1	6	5	1	6
Subtotal...	3,379	2,937	6,316	3,222	2,834	6,056	3,125	2,749	5,874
Commissioned Officers	312	70	382	303	68	371	294	66	360
Ungraded....	109	128	237	98	116	214	95	112	207
Total Permanent Positions...	3,880	3,155	7,035	3,703	3,038	6,741	3,594	2,947	6,541

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THURSDAY, APRIL 17, 1986.

FOREIGN AGRICULTURAL SERVICE

GENERAL SALES MANAGER/PUBLIC LAW 480

WITNESSES

DANIEL G. AMSTUTZ, UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

THOMAS O. KAY, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE

JOHN W. WILLIAMS, DIRECTOR, BUDGET AND FINANCE DIVISION, FOREIGN AGRICULTURAL SERVICE

MELVIN E. SIMS, GENERAL SALES MANAGER

STEPHEN DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

GEORGE J. POPE, ASSISTANT GENERAL SALES MANAGER

WILLIAM L. DAVIS, ASSISTANT ADMINISTRATOR, COMMODITY AND MARKETING PROGRAMS, FOREIGN AGRICULTURAL SERVICE

Mr. TRAXLER [presiding]. We want to welcome representatives from the Foreign Agricultural Service this morning. Mr. Amstutz, if you would be kind enough, we will do several things. We will put your full statement in the record. We will be pleased to hear from you extemporaneously or in any other fashion that you want in abbreviated form.

If you would be kind enough to introduce those persons you have brought with you this morning for the record. Then you may proceed.

INTRODUCTION OF WITNESSES

Mr. AMSTUTZ. Thank you, Mr. Chairman. I am pleased to appear before the committee this morning to discuss with you the fiscal year 1987 budget proposals for three agencies, the Office of General Sales Manager, the Foreign Agricultural Service and the Office of International Cooperation and Development.

This afternoon I will be pleased to appear before you with the Agricultural Stabilization and Conservation Service.

On my left is Steve Dewhurst, our Chief Budget Officer. With the indulgence of the Chair, as each agency presents its testimony I would like each agency administrator to introduce the people with them.

Mr. TRAXLER. That will be fine.

Mr. AMSTUTZ. Each of these agencies in their presentation will provide——

Mr. WHITTEN [presiding]. I will say good morning to add to what has been said. Good to see you.

Mr. AMSTUTZ. Good morning, Mr. Chairman.

Opening Remarks

Mr. **Whitten**. We are glad to have you with us today.

As you know, we are dealing with a supplemental appropriations bill where there has been a whole lot of difference of opinion. What bothers me, and I mention it to start with so you can cover it in your remarks, is that when we have sales in world markets it is always done by some means other than just selling for what the commodities will bring—like every other country in the world does.

Under PIK, as you know we gave away 11 percent of our world markets, and charged it against the American farmer as we have done through embargoes in 1973, 1974, 1975, and 1980. As I pointed out to the President in 1982 and again about six weeks ago, the American farmer and his basic commodities has been financing our foreign policy. If we want to punish Russia, we should not punish the farmer by embargoing his exports.

The Farmers Home Administration is in trouble and we don't need that agency if the farmer is not going to make any money. I met yesterday with the head of the Farmers Home Administration and found that he has changed the regulations so as to get rid of about three-fourths of the farm borrowers by this cash flow provision, which is not required by law.

Not only that, but some years ago Mr. Butz finally came through on competitive export sales and used American international exporters to sell our commodities. We paid them $396 million in commissions. The American farmer who depends on export markets for about one-third of his production, has faced an increasingly serious financial crisis.

Further the record shows that in 125 countries where the people are badly in need of food and clothing, we are selling them guns, ammunition and planes instead of American farm products.

NEW CREDIT REGULATION

You are familiar with the many suicides occurring in rural America. You are familiar with the fact that about a million acres is going to lay idle, without any repayment or any interest this year, because of this change in regulations which requires them to show that, under the new farm bill, they can show repayment ability. Unfortunately, many are not able to show that.

According to the press and according to information from the local level, FmHA is requiring a farmer in order to get a loan to show that he can pay all his debts and make money under the present farm program. Most of FmHA borrowers cannot meet this requirement.

In the area from which I come, if FmHA used last year's requirements, about 2 or 3 times more borrowers would be eligible for loans. But the new requirements are putting farmers into bankruptcy.

The Foreign Agricultural Service has a long history. Somebody said we ought to be called the Foreign Committee on Affairs, or the Foreign Federal Aid committee. We are letting foreign policy dominate us and the farmers are picking up the bills.

The record from your Department shows that those who bought from the American farmer and then because of embargoes could not export to Russia, the Government would cover his losses. But we didn't do anything for the farmer who produced the commodities.

When I first started on this committee, the Foreign Agricultural Service didn't even get invited to any of the meetings at our overseas embassies. It had to report to the State Department, not to Agriculture. The State Department determined whether or not they would tell the Department of Agriculture about FAS activities. We changed that.

But it is questionable as to who you represent at the State Department, because you know the best way to sell anything is to lay it on the counter, make the prices competitive and say "come and get it."

But the Department has done anything in the world except that. Foreign aid such as PL 480 was not set up to be a substitute for normal sales. But what has happened to American agriculture is just unbelievable. I don't know how much you had to do with that Mr. Amstutz, but let me just show you what the situation is.

USDA BUDGET REDUCTION

Now, next year's budget for the Department of Agriculture proposes the following: programs be eliminated—$4,600,000,000; programs reduced—$2,318,000,000; substitution of user fees, for which you can't even get anybody to introduce necessary legislation—$534,000,000; and rescissions—$1,056,000,000.

Do these cuts go toward reduction of the deficit or the debt? No. It is to increase the carry over funds for military spending from $244 billion to $299 billion. It is to increase foreign aid.

I would just like to know—in connection with all the rest you do—what are you doing to change that picture?

IMPORTANCE OF AVOIDING SEQUESTRATION IN FY 1987

Mr. AMSTUTZ. In our testimony today, Mr. Chairman, we hope to present information on this area. Let me say this as it relates to cuts in general.

It is never easy to be faced with the necessity of tightening one's belt but we think the most damaging thing to agriculture would be a forced sequestering under Gramm-Rudman next year. We think it is enormously important that the Congress and the Administration agree on a budget that would prevent the need for sequestering in fiscal year 1987.

Mr. WHITTEN. I wouldn't worry about that. Under your policy there won't be anything to sequester. This is one place where you eliminate the funds in advance.

Mr. AMSTUTZ. If we have to sequester, Mr. Chairman, we have to do it across the board, including all the support programs. It is important for us to make the point that the budget we have submitted, Mr. Chairman, in no way negatively impacts on support prices, loan programs, deficiency payments, all those areas we consider to be entitlement programs as opposed to discretionary programs.

Now, we sure show some hefty cuts in areas that are considered discretionary and, as I indicated, it is not easy to do that, but the overriding objective was to ensure that we would not have to subject farmers to sequestering next year.

Mr. WHITTEN. If you cut the farmer's throat in advance, you don't have to worry about what he is going to do under some new law. The 1987 budget proposes to abolish the Department of Agriculture.

The situation in about 80 percent of our country—the rural areas—is desperate. The day before yesterday the head of the Farmers Home Administration said that there are over a million acres of land which will lay idle, and will neither get payments nor rent. What kind of business is the Department running?

You go ahead and testify, but I am not going to forget my questions. Go right ahead.

Mr. AMSTUTZ. Thank you, Mr. Chairman.

Let me briefly repeat what I said before you arrived. It is a pleasure to be here and this morning we will be presenting testimony from three agencies, the Foreign Agricultural Service, the Office of General Sales Manager and the Office of International Cooperation and Development.

This afternoon I will be back before you with the Agricultural Stabilization and Conservation Service.

Mr. WHITTEN. Are you familiar with the history of the sales manager?

Mr. AMSTUTZ. I am indeed, sir. I am talking with the Chief Architect.

Mr. WHITTEN. The Commodity Credit Corporation had billions of dollars of surplus and no provision for selling what they had. This committee insisted the Secretary sell. He sold $10 or $15 billion worth in 90 days. Then it got to where the foreign agricultural interests put the lid on him to where he couldn't continue. We have had two or three resign down at the Department because other folks in the Department wouldn't let them operate.

We will ask the Sales Manager what you let him do this time when we get to him. You may proceed.

Mr. AMSTUTZ. Without further ado, Mr. Chairman, I will introduce Mr. Tom Kay, the Administrator of the Foreign Agricultural Service. He will present his testimony, after which any of us are prepared to address any questions you have.

[The biographical sketches follow:]

BIOGRAPHICAL SKETCH OF THOMAS O. KAY

Kay presently serves as Administrator, of the Foreign Agricultural Service, U.S. Department of Agriculture (USDA). As Administrator of FAS, Kay directs the agency charged with helping U.S. exporters and producers to increase exports of U.S. agricultural products, an export business worth $31 billion last fiscal year.

Drawing on a complement of agricultural attaches and counselors stationed at 75 foreign posts covering 110 countries and a Washington staff of commodity and trade specialists, FAS works to gain access to foreign markets, to develop the markets, and to provide information on global agriculture and trade.

Prior to this position he served as the Deputy Under Secretary for International Affairs and Commodity Programs. Kay served as Deputy Assistant Secretary for Governmental and Public Affairs at which time he held a second title Director, Congressional Relations. During the time he served in these positions he coordinated the Department's legislative programs, congressional hearings and provided overall liaison with Congress.

Kay was Director of Legislative Affairs of USDA's Foreign Agricultural Service from 1981 to 1982. Prior to rejoining the Department in 1981, he served as Executive Assistant to the late Senator Jim Allen of Alabama and before that as Director of Senate liaison for the National Association of Realtors.

During earlier service with USDA, from 1973 to 1977, Kay worked on congressional affairs with the Office of the Secretary and later worked as Confidential Assistant to the Administrator of Foreign Agricultural Service.

From 1966 to 1973 he served as Administrative Assistant to Congressman John H. Buchanan of Alabama.

A native of South Carolina, he holds a bachelor of arts degree from Furman University in Greenville, South Carolina.

He is married and the father of three sons.

BIOGRAPHICAL SKETCH OF WILLIAM L. DAVIS

Mr. William L. Davis is a native of Hecter Springs, Arkansas. He holds B.S. and M.S. degrees in Agricultural Economics from the University of Arkansas in Fayetteville.

Mr. Davis has spent his entire career with the Foreign Agricultural Service. His first position was as an Agricultural Economist with the Sugar and Tropical Products Division where he worked from 1959 to 1960. In 1960, he moved to the Foreign Regional Analysis Division until 1965, when he began a series of assignments with the Attache Service. He served as Assistant Attache in Ankara from 1965 to 1968, as Attache in Nairobi from 1968 to 1971, and returned to Ankara as Attache from 1971 to 1975. From 1975 to 1976, Mr. Davis served as a supervisory Agricultural Economist with the Cotton Division; and, in 1976, he became Director of the Cotton Division. Mr. Davis returned to the field in 1978 as Attache/Counselor in Beijing, and served as Counselor in Tokyo from 1981 to 1985. In May 1985, Mr. Davis assumed his present position as Assistant Administrator, Commodity and Marketing Programs.

Mr. Davis is married and lives in Camp Springs, Maryland.

Mr. WHITTEN. We will be glad to hear from you.

Mr. KAY. Thank you, Mr. Chairman.

It is a pleasure to appear before you and the other members of the committee to discuss the activities of the Foreign Agricultural Service and present our budget for 1987. I am joined on my right by John Williams who is our budget officer and he will assist us if necessary in so far as answering questions. I have submitted my statement for the record and would like to summarize my remarks, Mr. Chairman.

Mr. WHITTEN. We will be glad to have you do so.

IMPORTANCE OF EXPORTS TO U.S. AGRICULTURE

Mr. KAY. Exports, as we all agree, are vital to the economic vitality of U.S. agriculture. We believe that exports provide the way to restore better income conditions to U.S. farmers. Since the beginning of the 1980s we have seen a decline in world trade of agricultural commodities.

The U.S. has lost in exports and in market position. The decline has been due to many factors, especially the lack of price competitiveness.

We feel that provisions contained in the new farm bill can help turn this situation around. Other economic conditions also make it possible for growth, the decline in the value of the dollar, the decline in interest rates and the inherent belief that the world market will continue to expand.

However, I must point out that many trade barriers and practices continue to block access to foreign markets. That is why we believe that the upcoming GATT negotiations are vitally important.

GOALS OF GATT NEGOTIATIONS

In that new round when they begin, Agriculture would like to realize three things from those talks. We would like to improve our market access by tearing down tariff and non-tariff barriers. We would like to write effective GATT rules for controlling unfair trade practices such as export subsidization to bring about a quicker dispute settlement as well.

We would at the same time like to see greater discipline on the use of food, plant and animal health restrictions to the extent that these constitute technical barriers to agricultural trade.

Other important negotiations will also go on this year. We are presently about to begin consultations and negotiations on the question of the enlargement of the European Community to include Spain and Portugal.

There is also the possibility, should Congress agree, that we will be faced with having to negotiate a free trade zone with Canada. There are ongoing negotiations associated with Mexico's accession to join the GATT.

TRADE NEGOTIATIONS IMPROVE MARKET ACCESS

We are also engaging in negotiations with Japan regarding their quantitative and tariff restrictions on agricultural imports. We believe that progress has already been made with Japan on oranges, beef, wine, walnuts, chicken and wood products.

We believe that we have had success with Taiwan and Korea in the reduction of tariffs on products worth more than $185 million. We are glad to see that Colombia has issued more import licenses for apples, lentils and peas. Canada has limited its export of mill feed to the United States and has exempted high quality beef from its meat import law as a result of the efforts of the Foreign Agricultural Service.

Mexico has also removed a large number of agricultural products from the list requiring import licenses and in the European Economic Community we had another year of free access for oil seeds and non-grain feed ingredients into that market.

FAS EFFORTS TO PROMOTE EXPORTS

Opening the doors to trade is a part of the solution to boosting export sales but using that access is the next step. We believe in our cooperative program with the Foreign Agricultural Service the private sector and the Federal Government have long shared in its unique relationship the responsibility for the market development in other countries through the market development and cooperative program.

In fiscal year 1987, we believe a larger share of the fiscal responsibility must be borne by the private sector. The Government share will still be significant.

We now have 14 Agricultural Trade Offices stationed around the world. These agricultural trade offices provide a home base for our cooperators and exporters and enable them to work together to penetrate markets.

We have opened up new trade offices in the last year in Istanbul, Baghdad and Guangzhou in China. We also anticipate opening a new trade office in Tokyo later this year.

We also plan to create a new processed foods division in the Foreign Agricultural Service to focus on the growing demand for high value consumer ready products. Our AIMS program, the Agricultural Information and Market Services, has been very successful.

Through this program we provided some 5,500 trade opportunities for our farmers and exporters, up 35 percent from the previous year and these trade leads alone have led to export sales of more than $583 million. Because this program has been so successful, we will make the program permanent and will develop it even further.

There is a vital link for the development and implementation of all of our international programs in our network of counselors, attaches and trade officers who represent and promote U.S. agricultural interests around the world.

These employees work with Washington to provide information on world supply and demand for U.S. agricultural products and information for U.S. farmers and traders.

FISCAL YEAR 1987 BUDGET REQUEST

Now, to our budget request for 1987. Our budget request for 1987 is $71.9 million. This represents a $11.1 reduction from the amount appropriated for 1986 before the imposition of the Gramm-Rudman-Hollings reduction.

This change consists of an increase of $1.7 million for worldwide attache network, and a decrease of $12.8 million for the Cooperator Program, which will reduce Foreign Agricultural Service's contribution from about 30 percent to about 20 percent.

Thank you, Mr. Chairman, for the opportunity to present my statement today.

[CLERK'S NOTE.—The prepared statements of Mr. Kay appear on pages 488 through 500. The explanatory notes appear on pages 501 through 544.]

CREATION OF THE SALES MANAGER

Mr. WHITTEN. I mentioned it earlier when I asked you about the sales manager. This committee created the position because we had this big $25 billion corporation which had no means of selling commodities.

The Foreign Agriculture Service's people could tell us how much disappeared, how much was given away and what the losses were, and things of that sort. I spoke to the Foreign Agricultural attaché in Paris. I asked those who knew we could sell by offering commodities at competitive prices to hold up their hands. Not a person there knew we could sell competitively. The hearing records of this committee show that we are the only country that does not offer what we have for what it will bring in world markets.

We broke the back of the Department's resistance to keeping our markets back in the 1950's. But it was not long until trade groups were sent overseas to change this policy of selling our commodities completively. I visited the European Economic Group, in Holland and England. I found that what they do, is set their price at the world price, and then they tax their people to offset local cost of production.

USE OF THE COMMODITY CREDIT CORPORATION

What we did was provide for a price support tied to what the farmers' costs were. Then we had the Commodity Credit Corporation to discount, not pay subsidy, but to discount what the farmer had paid to cover American labor costs and other costs of production.

It never was a subsidy. It was a discount, where you made available to the hungry people of the world what we had and didn't need. The farmer was dependent upon it. Under this system, at the beginning of the year you set the rates, and you set the target as to how much of the commodities you would need.

The farmer worked toward the target. At the beginning of the year the farmer could look at a reasonable income from price supports. The lending institution could be sure he would get that amount and the world could see that American supplies would be made available to them.

That system worked. Then suddenly the Department quit using the Commodity Credit Corporation. As chairman of this committee, I said "If you will use the authority you have and not ask Congress to pass a new law where members have to sign it, I think they would welcome that. Mr. Butz, instead of using CCC, used large American trade organizations and paid them a hefty commission..

It would be wonderful if we could get the Department to use the Commodity Credit Corporation for promoting exports and making discounts in order to do this. Now, as I have said, I pointed out to the President in 1982 and again about six weeks ago, that when we want to do something in foreign policy, we let the farmer bear the cost. We have done that for the last five years.

SELLING IN THE WORLD MARKET

Now here is another point. If you lay goods on the counter at competitive prices, the foreign dealers will help you to get them into their country. But, if you do it your way by pushing the commodities in, of course, they resist it. You could name any kind of commodity in the world today and, if the price was right, you would have folks over there buying it. But, if you dump it in there as you do through your policies, they will all resist it.

Now, these things are evident. I don't know who is behind it, but your subsidy today is going to the buyer not the farmer. The farmer is selling below cost. Who benefits from that? The fellow who buys from him.

Now, in the supplemental appropriations bill we have before us, this committee is suggesting, in view of what is happening under existing law, that the Department use the old law where folks made money and bought land. Under this new law they are losing their land or selling land for nothing.

It makes sense to me. What is wrong with that, may I ask you? Don't pass the buck to Mr. Amstutz. I know his view.

You don't need to have anybody else tell you what you think. What is wrong with what I said?

Mr. KAY. Mr. Chairman, there is nothing wrong with what you said.

Mr. WHITTEN. Why shouldn't we do that?

THE ROLE OF PRIVATE ENTERPRISE

Mr. KAY. A much better way is to allow our private entrepreneurs to deal in world markets and sell American commodities abroad. We don't feel the Government should be——

Mr. WHITTEN. That is what Mr. Butz said. I said that using CCC would be a wonderful improvement.

Mr. KAY. We don't feel the Government should be in competition with private enterprise.

Mr. WHITTEN. What private enterprise? Name the big companies you have in mind. Why not give them a commission and let them retain the market, when the farmer is going broke—or did you know that?

Mr. KAY. We are very aware of the financial difficulties that exist in the farm community, yes.

Mr. WHITTEN. I know you are supposed to be promoting foreign markets. Are you not using the CCC because you haven't got anything to sell?

Mr. KAY. No, sir. We have plenty to sell.

Mr. WHITTEN. I would still like to know what you think about it.

Mr. KAY. I have tried to explain, Mr. Chairman, what I think about it.

Mr. WHITTEN. Now, we will hear from you, Mr. Secretary.

IMPROVE TRADE THROUGH NEGOTIATIONS

Mr. AMSTUTZ. Mr. Chairman, there has never been a question in my mind that we surely share a common objective. However, as you indicated in your opening comments, there surely is a difference in approach and we acknowledge that.

One of the principal reasons we are so committed to the negotiation progress and negotiating fair trade practices around the world relates directly to what you are saying.

Now, I am the first to say that progress in this area comes preciously slow relative to what we would like, but progress does come. This year there seems to be every reason to expect a new round, a new multi-lateral trade round to begin. This Administration is totally committed to have agriculture a very key part of that round and we are totally committed to making progress in these three areas that Mr. Kay mentioned, market access, unfair trade practices, such as the subsidization practices of the European Community, and what we call a harmonizing of animal and plant health quarantine regulations around the world, an enormous nontariff, non-quota barrier area.

We have support in doing this. We have support fortunately from countries like Canada and Australia. We think that history has shown that, when individual initiative and individual incentive is free to work in the American system on a fair basis, the private sector via individual freedoms and individual incentives gets more done.

Our agriculture is the envy of the world, even with these deep problems we have now. One reason it is the envy of the world is that we have tried to keep the decision-making, the business activity, and I include farmers, as well as processors and handlers in this area, in the forefront of the process.

OUTLOOK FOR AGRICULTURE

As I indicated, our objectives are the same. We seek a healthy agriculture. We seek a growing agricultural industry. We think there is the potential for that.

We recognize that these are troubled times, but as Mr. Kay's testimony indicated, we also see some light at the end of the tunnel.

Secretary Lyng has said and I concur 100 percent, that he thinks a year from now we are really going to start seeing signs of improvement, hopefully before that, and we are working to that ends.

You will hear from Mr. Sims describing the various credit programs under which we are operating, GSM 102, GSM 103, a new name for the intermediate credit program, and Public Law 480. We are going to have some seven to $8 billion of credit working in this year. Even where we have had to cut back on discretionary programs, our commitment is no less strong.

COMMITMENT TO MARKET DEVELOPMENT

We are absolutely committed to this market development program. We think that this happy marriage between government and the private sector in promoting the export of American products and developing markets is enormously important.

We do ask that the private sector put in a larger share in fiscal year 1987 than they have done before. We do know that this will force some reprioritizing but I hasten to add one very important thing.

The Congress gave us in the 1985 farm bill some funds called targeted export assistance. These funds were given us specifically to combat problems of unfair competitive practices under section 301 of GATT.

These funds that the Congress gave us allow us to use the money for specific market promotion and development projects. So far we have announced $26 million in these project areas and more will be coming out.

Because of the targeted export assistance fund, we can supplement the work and assist our cooperators in carrying out these programs.

To a certain extent, I could build a case to show that we actually have more money to spend in this area, it just has to be spent in different ways.

SELLING AT COMPETITIVE PRICES

Mr. WHITTEN. Why won't you sell what we have at a competitive price and lay it on the board? Why won't you use the Commodity Credit Corporation a $25 billion corporation that was set up for the purpose of supporting prices and for selling abroad competitively?

Now, we understand that perishables are a different thing. For perishables you buy up the surplus and use it for the school lunch and other feeding programs. We are talking about basic commodities.

You are willing to do anything in the world except lay our commodities on the counter and sell them competitively and retain our markets.

Now why do you need a farm credit system if they won't lend any money and the farmer does not make any money? Why have a manager if you have lost the title to the farm?

You haven't said a thing about what we are doing. Now Mr. Kay mentioned that the world market was increasing. He didn't say anything about us filling it.

DAIRY SALES

You know that we wouldn't sell dairy products to Russia. But we sold to New Zealand and let them convert the products into oil and sell it to Russia where they made a profit. Today we are buying $140 billion worth of things from other countries, things we could provide for ourselves.

Mr. AMSTUTZ. Mr. Chairman, in the area of dairy, last year our export sales plus our various export aid programs, totalled nearly 400,000 tons of dairy products coming out of CCC inventory.

That in rough figures is about half of what we took over in our support programs.

WHOLE HERD BUYOUT

Mr. WHITTEN. Did you recommend this new policy of buying dairy cows, that caused the prices of livestock to drop from six to eight dollars per hundred weight? Was that one of your ideas?

Mr. AMSTUTZ. No, Mr. Chairman.

Mr. WHITTEN. Do you think that will work?

Mr. AMSTUTZ. Mr. Chairman.

Mr. WHITTEN. I am asking you what you think. We are entitled to know what you think.

Mr. AMSTUTZ. My job is to carry out the law. That particular dairy program was an initiative of the Congress.

Mr. WHITTEN. The originator was up here?

Mr. AMSTUTZ. Yes, sir.

Mr. WHITTEN. I know of nobody that claims it. You assure us you had nothing to do with it?

Mr. AMSTUTZ. Nothing to do with it. My job is to carry out the law, though, Mr. Chairman.

Mr. WHITTEN. Did Mr. Kay have anything to do with it?

Mr. AMSTUTZ. No, sir.

Mr. WHITTEN. My job is to carry out the law, too. That is why I am pointing out the need to use the CCC. Who is it that is responsible for requiring those producing basic commodities to sell them below the cost of production so the buyer will get a bargain? Who is responsible for that?

Mr. AMSTUTZ. The market determines value in the world market, Mr. Chairman.

Mr. **Whitten.** But you don't let the market determine what wage rates will be. You have seen the figures. Since World War II the farmers' share of the consumer dollar has been pushed down from 49 to 27 percent, while industry and labor have increased their take of the consumer dollar from 51 percent to 73 percent.

You ask the farmer then to take the remaining 27 cents and buy from these others, which runs up his cost. Although Mr. Kay is talking about increasing world markets, he didn't say for American products—a very noticeable omission.

INTERNATIONAL TRADE PROBLEMS

We are now buying all these things from Japan. I read in the paper where we are going to get Japan to let our folks export to their consumers. Why don't you just say, "Mr. Japan, we will buy just as much as you buy from us." Why don't we use our tools instead of begging them to change theirs?

You know, we have got this law which lets the President put an embargo on imports, if it threatens our domestic industry. We are in trouble on textiles, we are in trouble on steel, we are in trouble on shoes. We have given them our markets to get them to give us lip service in conversation with the military, it looks like.

CCC DISCOUNT SALES

The original question is what is wrong with going back to the old law where you have a loan at the beginning of the year, where the farmer knows what his options are, and then let the Commodity Credit Corporation sell at a discount to offset the high American production cost of labor and industry? And then we can have our goods on the counter where the importer who wants what we have will help us to get it into that country—instead of pushing it in against local resistance?

What is wrong with that?

Mr. **Amstutz.** My first answer has to relate to the fiscal cost of it, Mr. Chairman.

Mr. **Whitten.** No. The cost comes from the buyer. Under the policy you have now, the taxpayer pays it through payments to the farmers. But what we are talking about here is a plan where the cost would come from the consumer.

He would pay the cost instead of the Treasury. The Treasury does not pay the cost of increasing labor by reason of contracts and by reason of minimum wages. It comes from the fellow who buys it.

Why should labor and industry get theirs from the buyer, but the farmer has to sell below cost and then look to a handout from the Treasury, with all the reaction and criticism that follows?

Mr. **Amstutz.** Mr. Chairman, I indicated before, I know there are differences between us on these things, but our judgment is that the proposal that you are speaking to would increase the cost of the farm program dramatically.

Mr. **Whitten.** Increase it to who? Not the Government, but the consumer.

Mr. **Amstutz.** We think to the Government.

Mr. **Whitten.** The previous program worked. The policy you are following now is doing anything but working.

There is no need of dragging this discussion out. The supplemental bill includes a provision calling on you to return to the old law that worked, as opposed to the one which is now in effect.

COOPERATOR PROGRAM

For the foreign market development program you are requesting $37,082,000 for fiscal year 1987, a reduction of $11,971,000 below the amount available for fiscal year 1986. You state that this reduction will reduce U.S. Government support of the cooperator program from 30 percent of the total cost to 20 percent. How was the 20 percent figure developed?

Mr. KAY. The average FAS share of total cooperator program costs over the past five years has been approximately 30 percent. Assuming that increases in the private sector contribution to the program are sufficient to offset the necessary reduction in Federal funding, FAS's contribution ratio of current program costs would drop to approximately 20 percent.

Mr. WHITTEN. To what extent does this reduction relate to the recommendation of the Grace Commission that the cooperator program be phased out?

Mr. KAY. The Department took issue with the Grace Commission's recommendations regarding the cooperator program. The FY 1987 budget reductions proposed by the Administration relate only to the need to reduce the budget deficit.

FOREIGN MARKET DEVELOPMENT

Mr. WHITTEN. The Committee has also been advised that because of favorable exchange rates of the last few years the cooperators have been building up very large unliquidated balances. We have also been advised that this unliquidated balance at the end of fiscal year 1985 was $52.6 million. Would you please list for the record the unliquidated balance at the end of each fiscal year for the last 7 fiscal years?

[The information follows:]

[Dollars in thousands]

FY 1985	$51,567
FY 1984	47,167
FY 1983	41,343
FY 1982	34,726
FY 1981	29,574
FY 1980	27,934
FY 1979	25,713

Mr. WHITTEN. Why has the unliquidated balance been allowed to grow to its present level?

Mr. KAY. There are two principal reasons. First, over the past five years, funding for the cooperator program has increased by approximately 70 percent. Correspondingly, the unliquidated balance grew by approximately the same amount, because FAS has historically provided cooperators with forward funding equal to at least one and one-half times the current budget. Second, the strength of the dollar during the period caused the rate of spending to lag behind the rapid growth in the program budget. It should be noted, however, that as a result of the sharp drop in the value of the dollar during the last six months, cooperator unliquidated balances are projected to decline significantly. Furthermore, over the next three years, we expect cooperator unliquidated balances to decline 40 percent to the fiscal year 1979 level.

Mr. WHITTEN. What do you feel is the appropriate unliquidated balance level?

Mr. KAY. Traditionally. FAS has obligated funding for cooperators approximately one and one-half years prior to the time in which their specific programs were undertaken. The level of unliquidated balances will therefore correspond with the level of program funding. This practice of forward funding was instituted at the inception of the program because it was and still is considered a necessary ingredient to forming and maintaining strong U.S. cooperator groups. In addition, the government's up-front financial commitment has in turn been utilized by cooperators to secure matching private sector funding and to gain the support and commitment of foreign individuals, organizations, and governments that, to a large degree, affect our success in developing markets.

Mr. WHITTEN. In view of this unliquidated balance, will your budget request of a reduction of almost $12 million in the program have any real impact on the program this year, or will they just make it up through use of unliquidated balances?

Mr. KAY. Because of the nature of forward funding, the impact of the $12 million reduction in fiscal year 1987 budget authority will not be felt until fiscal year 1988. Cooperator activity to be conducted in fiscal year 1987 will reflect the execution of program plans established and funded in prior year agreements. However, contractual agreements entered into with cooperators during fiscal year 1987 for fiscal year 1988 market development activities will reflect the $12 million budget reduction.

Mr. WHITTEN. Does FAS have any plans or is FAS now taking any action to look over this unliquidated balance?

Mr. KAY. The unliquidated balance as well as all financial aspects of the cooperator program are under constant review. Because of the growing unliquidated balances resulting from dollar appreciation, for example, it has been FAS policy not to request funds to offset overseas inflation. The unliquidated balance situation led to the decision by FAS to straight line in the fiscal year 1986 budget request, the first time in over five years that no increase was requested.

Mr. WHITTEN. Should the Congress concur in the proposal to reduce funding for the cooperator program, would it be possible to restore the program to last year's level through the use of this unliquidated balance?

Mr. KAY. Unliquidated balances cannot be used to restore reduced funding because they represent commitments for future spending. A reduction in fiscal year 1987 budget authority will result in a real reduction in the program base for fiscal year 1988.

GRAIN QUALITY

Mr. **Whitten.** There continues to be complaints from foreign customers about the quality of U.S. grain. Reportedly, China has now cut into the U.S. share of Japan's corn imports because of claims it is higher quality than U.S. corn. Are you aware of this?

Mr. **Kay.** We have also heard reports that Chinese corn exports have undercut U.S. corn shipments because of quality. Chinese grain quality is quite good, nevertheless it seems that this can be only a marginal factor in accounting for their inroads into the Japanese markets. Macroeconomic factor such as very low production costs, and the tremendous freight advantage because of proximity are much more important. Furthermore, China sells through a unitary export agency, which has great flexibility in targeting and pricing exports in order to penetrate particular markets. The ideosyncracies of Sino-Japanese bilateral trade relations generally play a role as well: Japanese trading houses that export huge quantities to China are avidly looking for products they can purchase in return, and with the development of China's grain surplus, it is only natural that corn should become a part of this trade. If U.S. quality shortcomings were a major factor, we would have heard a great deal more from those Japanese customers who continue to take large amounts of U.S. product, even as they increase their purchases of Chinese corn.

Mr. **Whitten.** To what extent has poor quality grain been a factor in the decline of U.S. exports?

Mr. **Kay.** In general, the World situation is much the same as I explained for the Chinese penetration of Japanese markets. While there will be occasional shipments of our competitor's grain that are higher in quality than similar grade U.S. grains, the contrary is also true, and the U.S. continues to have a good reputation in world markets for quality. The loss of markets is due in greater part to the economic disadvantages we have faced and developing obstacles to trade. Only now is a more reasonably priced dollar beginning to eliminate the disadvantage of over valuation. Increasingly, the Europeans and others penetrate our traditional markets through the use of subsidies that we consider contrary to GATT, and which we are now aggressively countering with the Export Enhancement Program mandated by Congress. Production in importing countries has increased over the past 2 years, and purchasing power, particularly in several markets in developing countries that were growing quite rapidly a few years ago, has declined. We believe that these factors are not inferior quality, have led to the U.S. decline in exports.

Mr. **Whitten.** How does U.S. quality compare with that of our competitors?

Mr. **Kay.** There is a preception among many of our foreign customers that the quality of U.S. grains is not as good as some of our competitors. The only way to accurately judge the grain quality of one competitor versus another is to apply a common set of quality measurements to all shipments at the point of import. Overall, the U.S. retains a very high reputation for quality, but this does not mean that our competition does not occasionally do better with respect to particular quality factors.

Japan, one of the world largest wheat importers, has applied the U.S. standards to all of its wheat imports. The results show that U.S. wheat often contains more of such things as dockage and foreign material than wheat from Canada and Australia.

Working with our producers, trade associations and export companies to maintain high quality is necessarily a constant and ongoing process.

Mr. WHITTEN. How does FAS coordinate with the Federal Grain Inspection Service on quality issues?

Mr. KAY. Formal complaints from foreign customers are filed through our Agricultural Attaches overseas. These are forwarded to FAS in Washington, recorded, and sent to FGIS for investigation. If FGIS receives a complaint directly it is considered to be for information purposes only and is not considered a formal complaint.

Mr. WHITTEN. During the past 12 months has FAS advised the Federal Grain Inspection Service of any reported grain problems?

Mr. KAY. In FY 1985, there were about 7,000 grain export shipments. Out of these shipments a total of 75 complaints were received by FGIS from FAS. It is suspected however that not all instances of buyer dissatisfaction are captured through the complaint system, but that many are resolved directly between buyer and seller.

FISH AND FISH PRODUCTS

Mr. WHITTEN. What is FAS doing to expand the export of fish and fish products?

Mr. KAY. FAS is committed to supporting a wide range of export activities related to aquaculture, or U.S. farm raised, inland, freshwater species of fish and shellfish, while other fish or fish products notably marine in origin, are the responsibility of the National Marine Fisheries Service of the U.S. Department of Commerce. FAS has actively contacted U.S. aquaculture organizations and interests to inform them of FAS services such as trade leads and the Attache service. All posts have been supplied with briefing materials as to market development responsibilities, U.S. industry and government contacts, CCC credit options and U.S. legislation regarding the domestic aquaculture industry and have responded to an FAS/Washington questionnaire in regard to local market and promotion opportunities. In the fall of 1985, FAS sponsored two market survey teams, one each to Europe and the Far East which represented various U.S. aquaculture interests in determining both market opportunities and barriers facing U.S. aquaculture products.

Mr. WHITTEN. What have you done to inform marine export firms of FAS services and FAS assistance?

Mr. KAY. An interagency agreement among USDA, the U.S. Department of Commerce and the U.S. Department of Interior, finalized and signed in April of 1980, states that USDA will be "responsible for support of and direct conduct of research, development, extension, and other support activities in aquaculture," thus our involvement with marine products is by design limited, although marine products are listed in combination with aquaculture product requests under our trade leads program. In further developments, a Memorandum of Understanding between FAS and the U.S. Department of Commerce permitting greater cooperation in promoting fishery product exports is being developed outlining personnel identification, data transfers and overseas promotional activities eliminating program redundancies.

Mr. WHITTEN. Does the fish and fish products industry participate in the cooperator program? Please describe the extent of their participation and those that are involved.

Mr. KAY. To date the catfish industry is the only formal member of the FAS Cooperator program entering into an agreement with FAS in December of 1981 as the Catfish Farmers of America. Their activities have consisted of market studies to evaluate market potential for catfish and factors restricting imports, participation in food shows in Europe and the Far East and working with U.S. agricultural representatives in activity countries to reduce trade barriers. Efforts are continuing within the U.S. aquaculture industry to form a National Aquaculture Export Council which would act as an umbrella organization for the aquaculture sector and upon organization would seek FAS cooperator status in order to develop markets overseas.

AGRICULTURAL IMPORTS

Mr. WHITTEN. During the past several years agricultural imports been been increasing while our exports have been decreasing. Why have imports been increasing and what is causing the increase?

Mr. KAY. The value of U.S. agricultural imports increased about 3 percent annually since fiscal 1980. Imports totaled $19.7 billion in fiscal 1985 and are forecast to total around $21 billion in fiscal 1986. Higher unit values accounted for most of the increase during the period since volume of imports was relatively stable. Since fiscal 1980, all of the value increase occurred in competitive products as noncompetitive products showed little change. Since fiscal 1980, value increases were in fresh vegetables, fruits, other horticultural products, wines, tobacco, and dairy products. Imports of sugar declined during this period.

The U.S. market has been attractive to foreign producers because of the high value of the dollar, the high per capita income, and the relative openness of the U.S. marketing system.

Mr. WHITTEN. What program has FAS implemented or emphasized to counter this trend?

Mr. KAY. Given the stable volume of imports, no action has been suggested.

WORLD TRADE

Mr. WHITTEN. Both India and China are now exporters of agricultural commodities, whereas not many years ago they were major importers. What other countries have now become our competitors that in recent years were our customers?

Mr. KAY. As long as the economics of the market place set the world price for major food commodities—in contrast with artificially high price supports—food importing countries will continue to be good customers for U.S. agriculture. Most developing countries prefer to invest in industrial development rather than agricultural self sufficiency. While several importing countries such as Saudi Arabia, India and China have recently been exporting raw agricultural commodities, in all cases, these exports have resulted from short-term surpluses rather than significant structural adjustments in their domestic agriculture. China is the most striking example of an importing nation turned exporter, but even in this case with the possible exception of cotton, these exports are not expected to continue into the longer term. Within the next three to five years, China is expected once again to be a major importer of agricultural products as its one billion people increase their incomes and improve their diets.

Mr. WHITTEN. In view of world agricultural production, to what extent can we expect to regain our dominant position in world agricultural trade that we held during the 1970's?

Mr. KAY. 1985/86 is the sixth straight year of declining exports for U.S. agriculture. In our peak export year of 1980, we supplied nearly 60 percent of the world market for bulk commodities. This year our share of that market is only 40 percent. With market oriented prices under the new farm bill, we will begin immediately to recapture our lost markets. This summer, we will turn the corner on agricultural exports. Expanded sales in the year ahead are projected for all major export commodities, most particularly in the case of cotton, rice and wheat. Full recovery in our exports will not occur overnight, but 1986/87 will be a good beginning.

Mr. WHITTEN. By major commodity, would you please list the amount that moved in world trade for each of the last 10 years and the U.S. share of that world trade?

Mr. KAY. We will provide that information for the record.

[The information follows:]

WORLD AGRICULTURAL TRADE
The United States and its Competitors
October-September Years
(million metric tons)

	U.S.	Competitors	Others	Total	U.S. Market Position
Wheat					
1977/78	33.6	30.9	6.7	71.2	47.2%
1978/79	33.4	37.6	7.4	78.4	42.6%
1979/80	38.3	44.2	3.7	86.2	44.4%
1980/81	43.7	44.4	6.0	94.1	46.4%
1981/82	45.8	48.7	4.1	98.6	46.5%
1982/83	39.4	54.0	6.0	99.4	39.6%
1983/84	43.2	59.2	5.7	108.1	40.0%
1984/85	29.6	58.5	7.8	95.9	30.9%
1985/86	29.7	54.2	6.3	90.2	32.9%
Coarse Grains					
1977/78	56.0	27.2	5.9	89.1	62.9%
1978/79	59.9	27.9	5.1	92.9	64.5%
1979/80	71.4	24.0	4.1	99.5	71.8%
1980/81	69.5	33.6	4.9	108.0	64.4%
1981/82	58.4	32.7	5.4	96.5	60.5%
1982/83	54.0	28.6	7.5	90.1	59.9%
1983/84	55.8	30.7	6.0	92.5	60.3%
1984/85	55.5	33.3	12.8	101.6	54.6%
1985/86	44.0	34.5	11.2	89.7	49.1%
Rice					
1977/78	2.3	7.3		9.6	24.0%
1978/79	2.4	9.6		12.0	20.0%
1979/80	2.7	10.0		12.7	21.3%
1980/81	3.2	9.9		13.1	24.4%
1981/82	2.9	8.7		11.6	25.0%
1982/83	2.3	9.6		11.9	19.3%
1983/84	2.2	10.3		12.5	17.6%
1934/85	1.8	9.3		11.1	16.2%
1985/86	1.8	9.6		11.4	15.8%
Cotton					
1977/78	1.32	2.05	0.80	4.17	31.7%
1978/79	1.34	1.97	0.98	4.29	31.2%
1979/80	1.99	2.06	1.00	5.05	39.4%
1980/81	1.21	2.14	0.94	4.29	28.2%
1981/82	1.49	2.06	0.85	4.40	33.9%
1982/83	1.14	1.99	1.10	4.23	27.0%
1983/84	1.53	1.81	0.87	4.21	36.3%
1984/85	1.28	2.01	1.11	4.40	29.1%
1985/86	0.50	2.42	1.22	4.14	12.1%

WORLD AGRICULTURAL TRADE
The United States and its Competitors
October-September Years
(million metric tons)

	U.S.	Competitors	Others	Total	U.S. Market Position
Soybeans					
1977/78	19.7	3.0	0.2	22.9	86.0%
1978/79	20.2	3.6	0.4	24.2	83.5%
1979/80	23.8	3.5	0.3	27.6	86.2%
1980/81	20.0	4.0	0.3	24.3	82.3%
1981/82	25.5	2.0	0.3	27.8	91.7%
1982/83	24.5	3.1	0.4	28.0	87.5%
1983/84	19.3	5.0	0.9	25.2	76.6%
1984/85	16.6	7.2	1.3	25.1	66.1%
1985/86	21.5	3.7	1.0	26.2	82.1%
Soybean Meal					
1977/78	5.5	7.3	0.4	13.2	41.7%
1978/79	6.0	6.6	0.6	13.2	45.5%
1979/80	7.2	7.1	0.7	15.0	48.0%
1980/81	6.2	9.7	0.6	16.5	37.6%
1981/82	6.3	10.7	1.2	18.2	34.6%
1982/83	6.4	12.8	1.8	21.0	30.5%
1983/84	4.9	11.7	2.1	18.7	26.2%
1984/85	4.5	13.2	1.8	19.5	23.1%
1985/86	5.3	12.6	1.8	19.7	26.9%
Soybean Oil					
1977/78	0.93	1.42	0.03	2.38	39.1%
1978/79	1.06	1.44	0.04	2.54	41.7%
1979/80	1.22	1.48	0.09	2.79	43.7%
1980/81	0.74	2.06	0.09	2.89	25.6%
1981/82	0.94	1.96	0.11	3.01	31.2%
1982/83	0.92	2.30	0.14	3.36	27.4%
1983/84	0.83	2.48	0.16	3.47	23.9%
1984/85	0.75	2.19	0.12	3.06	24.5%
1985/86	0.61	2.01	0.09	2.71	22.5%
Total Commodities					
1977/78	119.4	79.2	14.0	212.6	56.2%
1978/79	124.3	88.7	14.5	227.5	54.6%
1979/80	146.6	92.3	9.9	248.8	58.9%
1980/81	144.6	105.8	12.8	263.2	54.9%
1981/82	141.3	106.8	12.0	260.1	54.3%
1982/83	128.7	112.4	16.9	258.0	49.9%
1983/84	127.8	121.2	15.7	264.7	48.3%
1984/85	110.0	125.7	24.9	260.7	42.2%
1985/86	103.4	119.0	21.6	244.1	42.4%

23-Apr-86

VALUE ADDED PRODUCT PROMOTION PROGRAM

Mr. WHITTEN. Please describe in some detail for the Committee what you have done with the value added product promotion program during the past year?

Mr. KAY. Fiscal year 1985 was the first full year of operation for the pilot Value Added Product Promotion Program. We approved 26 different activities in the marketing plans of our four state groups—Eastern United States Agriculture and Fund Export Council (EUSAFEC), Mid-American International Agri-Trade Council (MIATCO), Southern United States Trade Association (SUSTA), and Western United States Agriculture Trade Association (WUSATA). The VAPP program is administered by these four cooperators. In evaluating the first complete year of operation we found that 56 percent of the promotion activities were completed and 58 percent of FAS cooperator project budget of $250,000 was or is being reimbursed to the participating companies.

[The information follows:]

EUSAFEC BUDGET

COMPANY/ACTIVITY NUMBER	PRODUCT	MARKET (%)	FY'85
Chew International - X005F	Tobasco Sauce (McILHENNY)	Saudi Arabia - 25 Kuwait - 25 Bahrain - 25 U.A.E. - 25	5,000 (5,000) 1/
United Apple Sales - X007F	Fresh Apples (Not Delicious)	U.K. - 60 Holland - 20 W. Germany - 20	5,000 (3,169)
Comstock Foods, Inc. - X009F	Frozen Veg. Products	U.K. - 20 Holland - 20 Belgium - 20 Sweden - 20 Denmark - 20	10,000 (10,000)
Holiday Food & Beverage, Ltd. - X010F	Bermuda Isles Brand Rum Swizzle Party Mix	U.K. - 50 Bermuda - 50	5,000 (-0-)
H. Sacks & Son - X012F	Fresh Apples (Excluding Delicious)	Sweden - 100	20,000 (20,000)
Welcn Foods Inc. - X013F	Grapejuice Concentrate	Korea - 100	10,000 (-0-)
Mira International - X015F	Arabic Style Foods	Saudi Arabia - 25 Kuwait - 25 Bahrain - 25 U.A.E - 25	20,000 (9,519)
Snack Factory - X016F	Funnel Cake Potato Puffs	U.K. - 20 West Germany - 20 Japan - 20 Saudi Arabia - 20 Sweden - 20	10,000 (-0-)

SUSTA BUDGET

COMPANY/ACTIVITY NUMBER	PRODUCT	MARKET (%)	FY'85
Castleberry's Food Co. - X002F	Beef Hash, Pork BBQ, Beef Stew, Beef BBQ, Chili	Japan - 20 Saudi Arabia - 20 Jamaica - 20 Haiti - 20 Dominican Republic - 20	5,000 (-0-)
Bruce Foods Co.- X003F	Casa Fiesta Brand Mexican Style Foods	U.K.	20,000 (19,730)
	WUSATA BUDGET		
Stanmann Farms - X901F	N.M. Pecan Products	U.K. - 75 W. Germany - 25	10,000 (10,000)
Pet, Inc. - X902F (N.M. Department of Agric.)	Old El Paso Brand & Mexican Style Food Products	Japan - 50 Singapore - 25 Malaysia - 25	10,000 (7,248)
Tree Top Inc. - X903F	Apple Juice	Singapore - 50 Taiwan - 50	10,000 (10,000)
Nalley's Fine Foods - X904F	Canister Chips & Snacks	Singapore - 25 Hong Kong - 25 Saudi Arabia - 25 Bahrain - 25	10,000 (7,380)
Snelgrove Ice Cream Co. - X905F	Ice Cream Products	Singapore - 25 Hong Kong - 25 Malaysia - 50	10,000 (-0-)
Cornnuts, Inc. - X906F	Toasted Corn Snack Food Products	U.K. - 100	10,000 (4,327)
	MIATCO BUDGET		
Pet, Inc. - X001F	Old El Paso Brand & Mexican Style Food Products	W. Germany - 80 The Netherlands - 20	50,000 (40,000)

1/ Actual Expenditure in Parenthesis

REMOTE SENSING

Mr. WHITTEN. Under the Memorandum of Understanding on remote sensing, what is the best estimate of the resources and personnel FAS will receive from other agencies?

Mr. KAY. FAS will receive about $2 million for Landsat imagery from CCC funds to support crop condition assessments worldwide. Almost all of this funding is targeted for Russia and the USA. The main users of the information gained are FAS commodity analysts and economists for Russia and like staff personnel in ASCS for the USA. ASCS has transferred two staff years to FAS for personnel to conduct analysis over the USA. We provide ASCS with early appraisals of crop conditions that might affect their domestic program administration. FAS is also the recipient of remote sensing research results from ARS, but does not receive direct funding from the agency. These ARS research results have been extremely useful, and we are anxious that this effort continues.

Mr. WHITTEN. Please describe your accomplishments in improving Soviet production estimates through the use of remote sensing.

Mr. KAY. Taking the remote sensing effort for Russia in its totality over the past, say, eight years, there have been very real accomplishments. We can follow the Russian crop calendar and off-season anomalies—such as winterkill—with good expectation of realistic results. We have been able to build up a historical data base of remotely sensed information which is critical and vital to the determination of USSR total agriculture production estimates. We can relate this information to a current crop year. Indeed, the remote sensing approach is the only means we have to actually "see" the crop, given that vast agriculture areas are closed to us. Travel is heavily restricted. Remember, however, that official yield/production grain estimates have not been available for the past five years, making estimation by any means a more hazardous undertaking. One needs actual factual data for comparison to adjust the estimation process. This is a growing problem, regardless of the estimation techniques used—traditional or satellite based.

Mr. WHITTEN. What improvements have you made as far as improving crop forecasting for the rest of the world through the use of remote sensing?

Mr. KAY. In general, we have not made much progress applying remotely sensed data outside Russia and the USA. This is primarily because of a lack of resources, including both funding for satellite data and qualified staffing. We could. The basic tools exist to do so. Present resource allocations provide for only an occasional "look" with 80 meter resolution Landsat imagery at other areas, such as Eastern Europe and South America. FAS does collect and analyze Tiros gross one kilometer resolution low cost imagery over many areas of the world for an overview of crop conditions. However, as an example of what can be done, FAS, with funding from the U.S. Agency for International Development (AID), determined in a very responsive manner this year's millet/sorghum production for the eastern Sudan in Africa using remote sensing. A record crop was found in that area, allowing AID to make significant adjustments in their planning for that country.

TRADE OFFICES

Mr. WHITTEN. Would you please include in the record a budget for each of your trade offices, showing the FAS contribution and the cooperator contribution, for fiscal years 1985, 1986, and 1987.

[The information follows:]

[Dollars in thousands]

Agricultural trade offices	FAS budget		
	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Algiers, Algeria	$436	$450	$534
Manama, Bahrain	250	316	363
Beijing, PRC	167	163	190
Guangzhou, PRC	57	128	145
London, England	298	334	390
Hamburg, Germany	241	238	277
Baghdad, Iraq	74	208	239
Seoul, Korea	151	166	188
Lagos, Nigeria	263	248	283
Jeddah, Saudi Arabia	264	274	315
Singapore	568	643	755
Tunis, Tunisia	162	183	204
Istanbul, Turkey	59	132	146
Caracas, Venezuela	192	199	228
Total	3,182	3,682	4,257

Note.—Cooperators do not contribute funds to the costs of the Agricultural Trade Offices.

Mr. WHITTEN. Do you plan to open any new trade offices during the remainder of fiscal year 1986 or in fiscal year 1987?

Mr. KAY. We are planning to open a new office in Tokyo later this fiscal year.

TRADE FAIRS

Mr. WHITTEN. What major trade fairs are scheduled during the coming 12 months, what location, and for what purpose?

Mr. KAY. I will provide that information for the record.

[The information follows:]

TRADE FAIR	DATE	LOCATION	MARKETS SERVED	PRODUCTS
HELFEX	April 20-22, 1986	Brighton U.K.	International 32 Countries	Health Foods
FOOD ASIA	May 13-16, 1986	Singapore	Singapore, Malaysia, Indonesia and others	Food, beverage, hotel and catering
KORFOOD	June 12-17, 1986	Seoul, Korea	South Korea	Food and beverage
USIFS	Sept. 5-7, 1986	San Francisco, California	International	Food and beverage
IKOFA	Sept. 19-24, 1986	Munich, FRG	Southern Germany	Food and beverage
SIAL	Oct. 20-24, 1986	Paris, France; Scandinavia, Middle East, North & West Africa	France, Europe,	Food and beverage
Baghdad	Nov. 1-15, 1986	Baghdad, Iraq	Iraq	Food and beverage
AG CHINA '86	Nov. 27-Dec. 2, 1986	Guangzhou, China	China	Equipment and breeding stock
I.F.E.	Feb. 1-5, 1987	Brighton, U.K.	U.K.	Food and beverage
SAUDI FOOD	Feb. 14-18, 1987	Riyadh, Saudi Arabia	Saudi Arabia	Food and soft drinks
FOODEX (Harumi)	March 1987	Tokyo, Japan	Japan	Food and beverage
Leipzig	March 15-21, 1987	Leipzig, East Germany	Eastern Europe	Bulk commodities
NASDA	April 29-May 1, 1987	Seattle, Washington	International	Food and beverage

CONFERENCES

Mr. **Whitten**. What attache conferences are scheduled during the coming 12 months or are under consideration and where would such conferences likely be held?

Mr. **Kay**. During the next 12 months we are scheduled to hold an attache conference in Miami for the counselors/attaches in Latin America during the first week of May. In addition, the annual conference for the attache group that will be in the U.S. for home leave will be held the week of June 16 in Washington. This group will include Washington personnel being assigned to the field this summer. A conference for counselors/attaches in Europe, the Middle East, and Africa will probably be held sometime this fall at a site yet to be determined.

COUNSELOR POSITIONS

Mr. **Whitten**. How many embassies now have agricultural counselors?

Mr. **Kay**. We now have agricultural counselors at 29 of our overseas posts.

Mr. **Whitten**. Do you plan to upgrade any additional attaches to counselors, and if so, where and when?

Mr. **Kay**. We do not have any plans to upgrade additional attaches to counselor rank at this time. Changes do occur as new attaches are assigned to post—dependent upon the personal rank of the officers concerned.

Mr. **Whitten**. Have any restrictions been placed on the number of counselors you can have by the State Department?

Mr. **Kay**. The only restrictions on the assignment of counselors is that they must be of a rank equivalent to FS–1 or above and be assigned to Class I, II, or III posts. This limitation applies to all of the 5 foreign service agencies included in the Foreign Service Act of 1980.

CARIBBEAN BASIN INITIATIVE

Mr. **Whitten**. What role did FAS play in the Caribbean Basin Initiative during fiscal year 1985, and what will be your role during fiscal year 1986?

Mr. **Kay**. In USDA, the Office of International Cooperation and Development—OICD—has the lead role in promoting private sector involvement in the CBI with support of our counselors/attaches in the field. With regard to policy issues, FAS serves on the Interagency CBI Working Group which is co-chaired by USTR and the State Department. In addition, FAS is partially responsible for enforcing the country designation criteria as well as contributing to the required reporting on the trade effects of the CBI. During 1986 FAS participated in international conferences and seminars in cooperation with OICD. Our counselors/attaches provide administrative assistance in the preparation of the Food Plans from the eligible countries and serve on the U.S. Embassy team for coordinating information on CBI activities with both U.S. and foreign private and public sectors. For 1986, FAS plans to continue its support of

OICD's efforts, where possible, in addition to participating in the other activities mentioned above.

Mr. WHITTEN. Would you please provide for the record a detailed breakdown of how the representation allowance was used during fiscal year 1985, showing both Washington usage and overseas usage.

Mr. KAY. In 1985, $67,628 was authorized for overseas posts and $39,801 for Washington courtesies of the $110,000 limitation.

Mr. WHITTEN. For the amount used here in Washington, would you spell out in detail the various functions that were funded by those monies and who would have participated.

Mr. KAY. I will provide that for the record.

[The information follows:]

Function	*Foreign visitors*
Luncheon	Iraqi Buying Mission.
Reception	Soviet Grain Delegation.
Luncheon	Mr. Mesyates, Minister of Agriculture, USSR.
Luncheon	Mr. Pesquiero, Minister of Agriculture, Mexico.
Luncheon	Minister of Agriculture, Venezuela.
Luncheon	OECD French Team.
Reception	Foreign Agricultural Counselors and Officers from Embassies.
Luncheon	Israeli Delegation.
Luncheon	Mr. Azuma, Agricultural Counselor, Japanese Embassy.
Luncheon	Huang Yongning, First Secretary, Embassy of PRC.
Luncheon	Seoung-Jae Yim, Administrator, Ministry of Forestry of Korea.
Luncheon	Paolo Janni, Minister-Counselor, Economic Affairs, Italy.
Luncheon	Dr. Aert de Zeeuw, Chairman GATT Committee on Trade in Agriculture, Netherlands.
Luncheon	Egyptian Technical Team.
Luncheon	Maxi Demir, Deputy Under Secretary of Agriculture, Turkey.
Dinner	J.P. Tripplaar, First Secretary of Agriculture, Netherlands.
Luncheon	Mr. Parotte, Wheat Council.
Luncheon	Canadian and European Community journalists.
Luncheon	Honorable Gerald S. Merrithew, Canada.
Luncheon	Husnu Dogan, Minister of Agriculture, Turkey.
Luncheon	Mr. Reca, Minister of Agriculture, Argentina.
Breakfast	Karl Samuda, Minister of State, Ministry of Industry and Commerce, Jamaica.
Luncheon	Peter Pooley, European Community.
Luncheon	Foreign Ambassadors and Agricultural Attaches of selected Foreign Embassies.
Luncheon	Japanese Delegation.
Coffee	Japanese Delegation.
Luncheon	Kasdi Merban, Minister of Agriculture, Algeria.
Luncheon	Minister of Agriculture, Israel.
Luncheon	Dr. Mohamed Nagui Shatla, Minister of Supply and Home Trade, Egypt.
Luncheon	Soviet Grain Quality Team.
Refreshments	Soviet Grain Quality Team.
Luncheon	Chinese Cereal Team.
Luncheon	John Wise, Minister of Agriculture, Canada.
Dinner	Eduardo Pesqueira, Secretary of Agriculture, Mexico.
Luncheon	Mr. Kofoed, Minister of Agriculture, Denmark.
Dinner	Ernesto Costemalle, Director General of CONASUPO.
Luncheon	Minister of Agriculture, Dominican Republic.
Luncheon	Minister of Agriculture, Mexico.
Luncheon	Japanese Delegation.
Luncheon	Frans Andriessen, Commissioner of Agriculture, European Community.
Dinner	Frans Andriessen, Commissioner of Agriculture, European Community.

Function	*Foreign visitors*
Luncheon	Minister of Agriculture, Mexico.
Luncheon	Mr. Parotte, Wheat Council.
Luncheon	Japanese Trade Team.
Coffee	Japanese Flour Milling Team.
Reception	FAO Regional Commission Representatives.
Reception	European Community Delegation.
Luncheon	Pakistan Wheat Team.
Luncheon	Korean Delegation.
Luncheon	Minister of Agriculture, Jamaica.
Luncheon	Yuan Xiangzhong, Director/President, Ceriolfood Incorporated, China.
Luncheon	Brazilian Wheat Team.

Mr. WHITTEN. What was the cost of the latest annual diplomatic reception, and who besides the FAS contributed funds to it?

Mr. KAY. The last diplomatic reception was held in October 1982 at a total cost of $9,010 paid entirely by FAS.

Mr. WHITTEN. In view of the very favorable exchange rate of recent years, what impact has this had on your representation allowance?

Mr. KAY. In general, the impact on our field representation allowance has been minimal as the benefits of favorable exchange rates have been largely offset by overseas inflation.

DAIRY PRODUCTS

Mr. WHITTEN. What efforts have FAS or the General Sales Manager made during the past year to promote the sale of dairy products out of CCC inventory?

Mr. KAY. FAS has been actively engaged in making sales of CCC dairy products abroad. In 1985, and so far this year we have sold CCC dairy products to Austria, Brazil, Egypt, Iraq, Israel, Jamaica, Mexico and Spain. Our General Sales Manager is negotiating for a large sale of butter and butteroil to Egypt and is currently promoting sales of dairy products to Algeria, Brazil, Iraq, the Philippines and several other countries. We intend to make every effort to sell the 150,000 metric tons of dairy products in each of fiscal year 1986 through 1988 as required in section 1163 of the New Farm Legislation.

Mr. WHITTEN. What potential markets exist throughout the world for the sale of this inventory?

Mr. KAY. Competition on the world market is very intense. Prices are weak as surplus supplies continue to overshadow the market and are more than adequate to meet demand by the importing countries. Still, we are looking to sell our dairy products in Africa, the Mid-East, Central and South America including the Caribbean, and certain countries in the Far-East. These areas offer the most potential for our CCC dairy products.

Mr. WHITTEN. What efforts are underway to attempt to sell some of this inventory to the Soviet Union as we did indirectly two years ago?

Mr. KAY. We are making no effort to sell dairy products to the Soviet Union. I presume the indirect sale you are referring to is our sale of 100,000 tons of butter to New Zealand in 1981. We sold that butter to the New Zealand Dairy Board with the stipulation that it not be sold to the USSR as butter. We have evidence that the Board met the conditions of that contract.

AFRICA RESERVE

Mr. WHITTEN. Has any of the $225 million appropriated for Africa reserve been used to date?

Mr. KAY. No. It has not been necessary to tap this Presidential Contingency Fund.

Mr. WHITTEN. What are the plans for using this fund for the coming 12 months?

Mr. KAY. Based on the greatly improved situation in Africa, we do not at present believe this reserve will be needed. There continues to be funds in the Title II reserve. Also , Section 416 donations authority is also available.

Mr. WHITTEN. What is your current estimate of the feeding situation for Africa during the coming 12 months?

Mr. KAY. Due to greatly improved weather and resulting increased cereal harvests, the food situation in Africa has greatly improved. Widespread rains in February and March benefited crops in both South and East Africa. However, problems are continuing in some areas; donors are responding to these needs.

Mr. WHITTEN. To what extent has the situation changed in Africa during the past 12 months?

Mr. KAY. The 1986 cereal harvests are forecasted at significantly improved levels in most African countries. However, external assistance will be required to provide food aid for some countries, including the Sudan, Ethiopia, Mozambique, Mali and Mauritania.

Mr. WHITTEN. How does the situation now stand in the Sudan?

Mr. KAY. The overall food situation has greatly improved over last year. Although the food crop is nearly triple the previous year's level, significant assistance is needed to move food surpluses from the east to the western part of the country where shortages remain critical. Only 400,000 metric tons of food aid imports are currently required of which the United States is providing about 50 percent.

Mr. WHITTEN. For each of the countries in Africa for which we provided food assistance during fiscal year 1985, would you please list the quantity provided and the anticipated amount that might be provided in fiscal year 1986?

[CLERK'S NOTE.—The information for FY 1985 appears on pages 583 through 596. The information for FY 1986 appears on pages 597 through 610.]

Mr. WHITTEN. For the first time, the funding that was provided for Africa allowed you to use a portion of the funds for inland transportation. How much was used last year for inland transportation?

Mr. KAY. During FY 1985 we used $85.3 million for this purpose.

Mr. WHITTEN. Please describe in some detail how the inland transportation funds were used. Please give the Committee some specific examples.

Mr. KAY. Internal transportation funds are generally used to move commodities from ports of entry to the end user. Expenditures are made not only for deliveries by rail and trucks but, in limited cases, by air. Funds are also used to purchase fuel and to lease transport equipment.

In Fiscal Year 1986, U.S. government has allocated up to 50 percent of the internal truck and train transport funds necessary for transport of emergency food in Africa. In Ethiopia the United States leased 150 trucks to be used as part of a UN truck pool for movement of food by many private voluntary agencies and the Ethiopian government at a cost of about $13 million. In the Sudan the United States provided funding for three helicopters to move food to the most unreachable areas in western Sudan during the rainy season at a cost of about $14 million.

OCEAN FREIGHT

Mr. WHITTEN. Under the terms of the Food Security Act of 1985, 75 percent of P.L. 480 shipments will have to be moved on U.S. bottoms. What impact will this have on the total cost of the program?

Mr. KAY. Since the 75 percent U.S. flag requirement will be phased in over a three-year period, it is difficult to forecast the budgetary impact on total Federal outlays. It depends partly on what assumptions are made about the number and types of ships that will be available in the U.S. Merchant Marine three years hence. This, in turn, will depend on market conditions and on whether new legislation is passed affecting the U.S. Merchant Marine over the next three years.

The Department's analysis indicates that annual U.S. flag subsidy costs in the P.L. 480 and Section 416 programs could rise to as much as $340-$350 million if the increased U.S. flag tonnage in these programs cause freight rates to rise to full, fair and reasonable levels. Last year, such costs totaled about $150-$160 million. So we see a potential annual increase in costs of as much as $190 million.

Mr. WHITTEN. Since your budget request for fiscal year 1987 is essentially the same level as fiscal year 1986, will this not mean there will be an actual programmatic reduction as a result of this new requirement?

Mr. KAY. It is our understanding that the Department of Transportation will be submitting proposed legislation to repeal the requirement for increased shipments on U.S. flag vessels. Therefore, the President's budget does not reflect any increased costs for meeting this requirement. In addition, however, the Food Security Act specifically provides that the Department of transportation is to finance any increased costs resulting from this revision of cargo preference requirements. So, the increased costs would not be reflected in the Department of Agriculture's budget in any event.

Mr. WHITTEN. What impact will the new requirements have on the actual tonnage that will be shipped during fiscal year 1986?

Mr. KAY. There could be a reduction in actual commodity shipments this year, although the precise effect is not known at this time.

For example, the requirement that after April 1, 1986, sixty percent of all food aid shipment must move on U.S. flag vessels could add $10-$14 million in costs to the Title I/III program this year.

While the legislation states that the Department of Transportation is to finance these added costs, we have thus far been unable to work out the details of how Transportation will in fact handle the financing and transfer funds to CCC. To the extent that these arrangements are not worked out by the end of the fiscal year and Transportation's share of total cargo preference costs is not forthcoming, these added costs would have to be met by existing Title I/III resources, including commodity financing resources. Thus, total tonnage shipped could well decline.

Mr. WHITTEN. Should we get into another large scale emergency situation in Africa or somewhere else in the world, are there enough U.S. bottoms available at any one point in time to totally fulfill the new requirements?

Mr. KAY. It is certainly possible to conceive of situations arising where there would not be enough U.S. flag capacity. We need only to go back to the period 1977-1981 when the U.S. flag share of the P.L. 480 Title I program fell consistently below 50 percent because of an insufficiency of the vessels at fair and reasonable rates. Total U.S. flag bulk carrier capacity has increased since this period. However, U.S. bulk carriers are now considerably larger which restricts our ability to ship on U.S. flag to many African and other countries with small or shallow ports which are incapable of handling large vessels. Also, U.S. liner service is shifting more and more toward containerization. Again, in many P.L. 480 countries, containers cannot be handled except in small numbers.

Mr. WHITTEN. Mr. Myers.

Mr. MYERS. Thank you very much, Mr. Chairman.

OBSTACLES TO FOREIGN AGRICULTURAL TRADE

Mr. Kay, I am concerned, as the Chairman and most members of this committee are concerned, about the plight of the American farmer, but particularly when it comes to foreign sales of products we produce and you say there are negotiations underway today and there have been for the years the Chairman has been on for many, many years on this, in this Congress and ever since I have been in Congress it has been pretty much the same problem and we have had negotiations. Today in your negotiations you are having, what is the biggest obstacle?

You can point to the dollar and various things, but what is the biggest obstacle for us being in world competition and getting a larger share of that foreign market for agricultural products?

Mr. KAY. Mr. Myers, our biggest problem has been a combination of those factors, but we cannot rule out the fact that we were not competitive in the world market because of our high internal prices. Now we feel that because the farm bill lowered the loan rates this will make us competitive once again. The combination of competitiveness, the decline in the value of the dollar, and the lower interest rates will result in an increase in our agricultural exports. However, one of the remaining problems is still, as we mentioned, access and that is why negotiations are so important. Through the new multilateral trade negotiations, we are striving to break down trade barriers which will allow our commodities greater penetration into other markets.

Mr. **Amstutz**. May I just add to that?

Over and above all that, we have a problem in that the world markets are just not growing as they were back in the seventies. They aren't growing because of the paucity of buying power.

Our best market potential area for grains is in the developing world yet their rate of growth in recent years has been very small, this year less than one-half of one percent. The markets just aren't growing as rapidly as they could or would if there was more economic vitality in that enormously important part of the world.

Mr. **Myers**. Of course, agriculture isn't the only commodity that is suffering in world exchange and our ability to sell overseas. It goes across manufactured goods also, maybe even more severely than agriculture, but right now this subcommittee is concerned about agriculture. The things you have identified are nothing new.

They have been around for quite some time and I very much agree with the Chairman, we ought to try something different. We are not going to get negotiations. Every time we negotiate, it seems like we slip back. Their negotiators are better negotiators than we are.

I know you mean well. I am not critical, particularly because it has been that way historically. The GATT agreement, of course, primarily was not agriculture, but it spilled over into agriculture. Seems like we always lose on these things.

WORLD AGRICULTURAL PRICE STRUCTURE

There is one thing they do understand and that is price. I very much agree with the Chairman that they have a two-price system. Even though you don't like to admit it, there is a two-price system in agriculture in the world today, most countries do operate and most economies do.

Everybody does not buy at the same level even here in this country. Many things are sold at auction or even money itself is auctioned. Treasury auctions.

One week it may be one price, next week it is a different price, but they bid for people and people bid to loan money to the Federal Government.

So it is a bartering system. It is an auction. It is a commodity that is subject to supply and demand. We have got the supply and the demand there even though it has diminished somewhat and I quite agree.

I think we ought to try meeting world competition. That is the only way you are ever going to get them to negotiate. As long as we keep talking and don't enforce it, they are not going to negotiate and I wouldn't either, would you?

EXPORT ENHANCEMENT PROGRAM

Mr. **Amstutz**. No. Mr. Chairman, that is one reason for the Export Enhancement Program. We hope that one of the net benefits of that program is that it will bring those who are our biggest problem in a trade practice area, namely, the European Community, to the negotiating table. So far this year we have announced export enhancement initiatives totaling close to $150 million. We are using CCC stocks to make us more competitive, and we are confident the business will flow from these initiatives.

Mr. **Myers**. Export PIK?

Mr. **Amstutz**. Export PIK will total I think some $400 million. That is literally in the pipeline working right now, working on the mandate of a billion dollars over three years that the Congress gave us.

Mr. **Myers**. It seems like it is always next year, though. The play "Annie", "tomorrow, tomorrow is always a day away"—it is always next year.

Mr. **Amstutz**. That is why I mentioned you cannot forget this dilemma we have that the markets themselves are not growing as they were.

Mr. **Myers**. That means we have got to be better competitors; we have got to lower the price a little and get some of that market back. We have done everything in the last 12 years, frankly, both Democratic and Republican Administrations, to destroy our competitive spirit, the embargoes and all the other things we have done, we have made about every mistake.

Let's go out boldly and recapture that. As the Chairman said, we have the supplies there, they are costing us now for storage. We might as well use that storage money to lower the price and get rid of it, get this thing out of our system.

The farm program is going to help some, but nobody is very pleased with last year's farm program. There is plenty of fault and blame to go around who is responsible for it and who is responsible for this program, that program. Everybody contributed to it, of course, but the one thing that would help farmers more than that farm program, you say "next year", is right now go out and capture part of that market. Don't let somebody else have it for another year.

USE OF AGRICULTURAL SURPLUSES

Let's go use that surplus we have, get it out of our system, and be competitive this year. You have the authority right now to do it.

Mr. **Amstutz**. On these initiatives we are using an estimated $100 million of that one billion right now and we will still be coming out with additional initiatives.

Mr. **Kay**. Mr. Myers, I think we also ought to point out in 1981 when agricultural exports reached this peak at some $44 billion, we were using the same system then that we use now. Since that time a combination of factors, which I pointed out early, have hurt agriculture. We are beginning to recover from those and the same system that worked in 1981, given a chance, is going to work again. I would stake my life on that because it is the American way and we are going to do it.

INCENTIVE TO INCREASE SALES

Mr. **Myers**. In closing, I am a farmer and a country banker and I know whenever we have more money to bank than there are borrowers, we have to have some kind of incentive to encourage people who want to borrow to borrow.

One of the ways we do that is lower the interest rates. We do it on volume, you lower the interest rates and encourage people you can't afford not to borrow. You can buy something with this cheaper money.

This is what we have to do with agriculture. It is supply and demand.

The demand is not as great as it was, so to compensate for that you have to be more competitive. Is price one of the ways or interest rates that you charge on the loans for to buy these products. You are the person that has got to do it.

I know the policy today, but we have to, I guess, some of us have to encourage the President. I talked with several secretaries of Agriculture, and it is not a popular thing, I know, in cabinet meetings to bring this up. All the other cabinet officers are opposed to it.

Earl Butz is a good friend of mine, a constituent of mine. He does not agree with me on the new price, I know, but when he was secretary, the times were a lot different. The demand was a lot greater in the world. Today I think if he had the responsibility today I would tell him I think he might change his views, too. I labored enough. So go out and try it.

Mr. WHITTEN. Mr. Traxler.

FOREIGN PRODUCTION STATISTICS

Mr. TRAXLER. Gentlemen, I am going to refer you to last year's hearings, part 6 and starting with pages 176, running through to 184. I asked you to supply certain tables in connection with foreign production, soybeans, various countries, especially Brazil; wheat in Argentina; Canadian wheat; Australian wheat; European sugar; New Zealand livestock; and dairy products.

I am going to ask you to update those tables.

[The information follows:]

BRAZIL SOYBEANS: AREA, YIELD, AND PRODUCTION 1/

STATE	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
			---Southern States---			
RIO GRANDE DO SUL						APR.
Area (1000 HA)	3,816	3,540	3,403	3,642	3,600	3,150
Yield (KG/HA)	1,595	1,192	1,548	1,483	1,583	1,111
Prod. (1000 MT)	6,088	4,221	5,269	5,400	5,700	3,500
PARANA						
Area (1000 HA)	2,266	2,100	2,022	2,178	2,150	1,900
Yield (KG/HA)	2,199	2,000	2,134	1,892	2,070	1,500
Prod. (1000 MT)	4,983	4,200	4,315	4,121	4,450	2,850
SAO PAULO						
Area (1000 HA)	543	516	470	480	485	450
Yield (KG/HA)	1,901	1,924	2,055	1,823	1,959	1,778
Prod. (1000 MT)	1,032	993	966	875	950	800
SA. CATARINA						
Area (1000 HA)	484	445	359	420	410	400
Yield (KG/HA)	1,339	1,200	1,128	1,379	1,341	1,125
Prod. (1000 MT)	648	534	405	579	550	450
			---Northern States---			
MATO GROSSO DO SUL						
Area (1000 HA)	777	843	925	1,139	1,300	1,000
Yield (KG/HA)	1,734	1,823	1,947	1,712	1,962	1,350
Prod. (1000 MT)	1,347	1,537	1,801	1,950	2,550	1,350
MATO GROSSO						
Area (1000 HA)	120	194	302	505	785	750
Yield (KG/HA)	1,875	1,887	2,023	1,980	2,102	1,867
Prod. (1000 MT)	225	366	611	1,000	1,650	1,400
GOIAS						
Area (1000 HA)	290	317	371	563	725	650
Yield (KG/HA)	1,321	1,770	1,868	1,465	1,862	1,769
Prod. (1000 MT)	383	561	693	825	1,350	1,150
MINAS GERAIS						
Area (1000 HA)	186	229	258	331	430	425
Yield (KG/HA)	1,473	1,703	1,853	1,674	1,919	1,882
Prod. (1000 MT)	274	390	478	554	825	800
			---Remaining States---			
OTHER 2/						
Area (1000 HA)	19	18	26	62	115	125
Yield (KG/HA)	11,579	1,833	8,154	1,548	1,522	1,600
Prod. (1000 MT)	220	33	212	96	175	200
TOTAL BRAZIL						
Area (1000 HA)	8,501	8,202	8,136	9,320	10,000	8,850
Yield (KG/HA)	1,788	1,565	1,813	1,652	1,820	1,412
Prod. (1000 MT)	15,200	12,835	14,750	15,400	18,200	12,500

1/ 1984/85 is an estimate and 1985/86 is a forecast.
2/ Includes beans shipped through Paraguay in some years.

Brazil: Soybean Supply/Utilization Local Marketing Years (Feb.-Jan)
(In 1,000 Metric Tons)

	Area (1,000 ha)	Yield (mt/ha)	Production	Exports	Domestic Consumption
1976/77	6,417	1.750	11,227	3,328	7,122
1977/78	7,070	1.770	12,513	2,581	9,486
1978/79	7,782	1.226	9,541	659	9,720
1979/80	8,256	1.240	10,240	638	9,989
1980/81	8,774	1.727	15,156	1,533	13,929
1981/82	8,501	1.788	15,200	1,502	14,686
1982/83	8,202	1.565	12,835	797	13,623
1983/84	8,136	1.813	14,750	1,316	13,853
1984/85	9,320	1.652	15,400	1,580	13,517
1985/86 1/	10,000	1.820	18,200	3,456	15,000
1986/87 2/	8,850	1.412	12,500	800	13,200

1/ Preliminary.
2/ Forecast.

Brazilian Exports, Soybeans and Products, Local Marketing Year (Feb.-Jan.)
(In 1,000 Metric Tons)

	Soybeans	Soybean meal	Soybean oil
1981/82	1,502	8,562	1,212
1982/83	797	7,822	873
1983/84	1,316	7,994	947
1984/85	1,580	7,690	920
1985/86 1/	3,456	8,650	930
1986/87 2/	800	7,200	800

1/ Preliminary.
2/ Forecast.

ARGENTINE WHEAT
(December-November Years)

	Area Harvested (million hectares)	Yield (tons/hectare)	Exports (million tons)	Domestic Use (Million tons)
1975/76	5.3	1.6	3.2	5.4
1976/77	6.4	1.7	5.9	4.2
1977/78	3.9	1.5	1.8	4.3
1978/79	4.7	1.7	4.1	4.1
1979/80	4.8	1.7	4.8	4.0
1980/81	5.0	1.6	3.8	3.9
1981/82	5.9	1.4	3.6	4.3
1982/83	7.3	2.0	9.9	4.8
1983/84	6.9	1.8	7.8	4.7
1984/85	5.9	2.2	9.4	4.6
1985/86	5.3	1.6	4.2	4.4

Argentine Wheat Exports for Past 5 Years

Dec/Nov Year	Exports (million tons)
1980/81	3.8
1981/82	3.6
1982/83	9.9
1983/84	7.8
1984/85	9.4
1985/86	4.2

AUSTRALIAN WHEAT
(October-September Years)

	Area Harvested (million hectares)	Yield (tons/hectare)	Exports (million tons)	Domestic Use (Million tons)
1975/76	8.6	1.4	8.7	2.3
1976/77	9.0	1.3	9.5	2.8
1977/78	10.0	.9	8.1	2.6
1978/79	10.2	1.8	11.7	2.5
1979/80	11.2	1.4	13.2	3.4
1980/81	11.3	1.0	9.6	3.5
1981/82	11.9	1.4	11.0	2.6
1982/83	11.5	.8	7.3	4.1
1983/84	12.9	1.7	13.3	3.4
1984/85	12.0	1.5	14.0	3.3
1985/86	12.0	1.4	15.5	3.0

Australian Wheat Exports for Past 5 Years

Oct/Sept Year	Exports (million tons)
1980/81	9.6
1981/82	11.0
1982/83	7.3
1983/84	13.3
1984/85	14.0
1985/86	15.5

CANADIAN WHEAT
(August-July Years)

	Area Harvested (million hectares)	Yield (tons/hectare)	Exports (million tons)	Domestic Use (Million tons)
1975/76	9.5	1.8	12.3	4.6
1976/77	11.3	2.1	13.4	5.0
1977/78	10.1	2.0	16.0	5.1
1978/79	10.6	2.0	13.1	5.3
1979/80	10.5	1.6	15.9	5.5
1980/81	11.1	1.7	16.3	5.0
1981/82	12.4	2.0	18.4	5.2
1982/83	12.6	2.1	21.4	5.1
1983/84	13.7	1.9	21.8	5.6
1984/85	13.2	1.6	17.5	5.4
1985/86	13.7	1.8	18.0	5.9

Canadian Wheat Exports for Past 5 Years

Aug/July Year	Exports (million tons)
1980/81	16.3
1981/82	18.4
1982/83	21.4
1983/84	21.8
1984/85	17.5
1985/86	18.0

NEW ZEALAND EXPORTS MAJOR LIVESTOCK AND DAIRY PRODUCTS, 1981 TO 1986

[In thousand metric tons]

	1981		1982		1983		1984		1985		1986	
	Total NZ exports	U.S. Imports from NZ	Total NZ exports	U.S. Imports from NZ	Total NZ exports	U.S. Imports from NZ	Total NZ export	U.S. Imports from NZ	Total NZ exports	U.S. Imports from NZ	Total NZ exports	U.S. Imports from NZ
Butter	203	0.15	228	0.15	234	0.18	201	0.20	227	0.24	250	0.25
Cheese	80	17	81	17	75	17	96	17	85	17	95	17
NFDM	163	.0	135	0	223	0	235	0	235	0	235	0
Casein	52	30	56	39	57	31	61	43	77	46	76	48
Beef 1/	347	255	366	275	372	246	287	217	365	258	362	275
Lamb, Mutton and Goatmeat	485	13	480	7	566	7	528	6	581	11	562	12
Wool 2/	280	10	285	2	322	9	308	17	317	14	--	--

1/ October to September year Exports from NZ to U.S. converted to approximate carcass weight equivalent.
2/ Exports from NZ to U.S.

NEW ZEALAND PRODUCTION OF MAJOR LIVESTOCK AND DAIRY PRODUCTS, 1976 TO 1985

[In thousand metric tons]

Production	1976	1977	1978	1979	1980	1981	1982	1983	1894	1985	1986
Milk	6,359	6,653	6,069	6,486	6,833	6,677	6,775	6,879	7,617	7,863	8,152
Butter	251	263	230	255	255	247	248	252	287	295	299
Cheese	105	81	81	90	106	84	112	114	110	115	126
NFDM	207	205	191	174	172	181	200	189	248	242	230
Casein	52	58	57	63	66	60	57	65	63	63	76
Beef	628	558	562	512	496	498	521	536	433	488	492
Lamb, Mutton and Goatmeat	513	499	502	514	560	626	625	651	667	729	672
Wool	312	303	311	321	357	381	363	371	364	373	353

EUROPEAN COMMUNITY: SUGAR SUPPLY AND DISTRIBUTION
1974/75 TO 1984/85
(In metric ton, raw value)

Year	Beginning stocks	Production	Imports	Total supply	Exports	Domestic use	Ending stocks
1974/75..........	1,204	9,477	3,432	14,113	2,156	10,780	1,177
1975/76..........	1,177	10,798	3,560	15,535	3,353	10,733	1,449
1976/77..........	1,449	11,234	2,938	15,621	3,568	10,015	2,038
1977/78..........	2,038	12,816	2,563	17,417	4,997	10,317	2,103
1978/79..........	2,103	13,056	2,599	17,758	4,647	10,598	2,513
1979/80..........	2,513	13,647	2,380	18,540	5,458	10,406	2,676
1980/81..........	2,676	13,322	2,086	18,084	5,942	10,203	1,939
1981/82..........	1,939	16,349	2,402	20,690	6,855	10,410	3,425
1982/83..........	3,425	14,735	2,111	20,271	6,776	10,219	3,276
1983/84..........	3,276	11,928	2,734	17,938	5,988	10,027	1,923
1984/85..........	1,923	13,581	2,726	18,230	5,475	10,192	2,563

RESTRICTIONS ON U.S. IMPORTS

Mr. **Traxler.** Last year I also asked you to describe what you did to remove foreign import restrictions on U.S. agricultural products. You did that. Please review that testimony from last year and indicate at this point in the record whether or not there are any modifications that have taken place among those various countries on their restrictions on United States imports.

Mr. **Kay.** Be happy to.

[The information follows:]

Obviously, there has been no radical change in the overall import policies of our major trading partners. The EC has not done away with its system of variable levies, for example, nor has Japan renounced its extensive use of import quotas and licensing on many agricultural products. Such deeply ingrained policies are not significantly altered overnight so our efforts to have them liberalized will require continued pressure. However, we have had some success during the past year in securing more favorable access for a variety of individual U.S. agricultural export items in a number of countries. I enumerated many of these in my prepared remarks before the committee. Among the more significant of these was the success we had within the context of our Market-Oriented Sector-Selective (MOSS) talks with Japan whereby Japan agreed to unilaterally reduce its tariffs on solid wood and wood panel products in 1987. Some $200 million in U.S. exports will benefit from these concessions. Japan has also agreed to reduce its tariffs a number of agricultural items, such as wine, walnuts and chicken, of interest to U.S. exporters. U.S. exports of $85 million were affected by these tariff cuts.

Canada agreed to exempt high quality beef from its meat import law during 1985, opening the way for more U.S. beef. Mexico also removed a large number of agricultural products from the list of those requiring import licenses.

In Taiwan and Korea we were able to negotiate reduced tariffs on a board range of agricultural and forestry products in 1985 having an export value of $185 million. Among the products included were high-value products such as cigarettes, wine and beer in Taiwan and almonds, grapefruit and cherries in Korea.

Mr. **Traxler.** Would you also provide us with information about the export assistance provided by any of these countries, including tax rebates, transportation assistance, price guarantees, and so on. I am particularly interested in the practices being followed by Argentina and Brazil with respect to soybeans.

[**Clerk's note.**—The material has been provided to the Committee.]

Mr. **Traxler.** I know in your submission to the committee, Mr. Kay, a considerable part of your testimony goes to the issue of not only market development, but also trade policy. One of the things that strikes me is virtually every country in the world has chartable limitations on the importation of foreign agricultural products or in the alternative on their exports in some fashion, shape or manner. They either have a two-tier system, domestic price versus a foreign sales price, or they have tax advantages, or they give transportation subsidies.

In other words, I don't see a very level playing field for our producer as you have described the system that we utilize. I want to run you through just briefly what I see according to the tables you supplied on production and exports in foreign countries, from foreign countries in vital concerns, to the average American producer here.

SOYBEAN PRODUCTION IN BRAZIL

For instance, soybeans. Let's take Brazil for a moment. They went from 6,417,000 hectares, in 1966-67. Ten years later they are at 9,450,000 hectares.

Their export on soybeans, interestingly enough, decline somewhat in that same period which is interesting. They went from some three million tons, I assume, to 2.5 million, 3.3 million in 1976-77 to 2.5 million in 1985-1986, which is curious.

Why would that happen?

What other countries are coming into the markets and competing with the expansion or competing with the Brazilians? Are we that effective? Are we regaining some share? Are other countries coming?

Mr. **Kay**. Our market has improved for soybean exports. Argentina has been a fierce competitor with Brazil in soybean exports and I assume there has been an increase in some internal use in Brazil.

Mr. **Traxler**. True. They went from seven million to 136 domestic consumption in that period.

Mr. **Kay**. That is correct.

Mr. **Traxler**. Describing in your response to my inquiry how the Brazilian Government offers price supports to its growers. Last year's response had three basic mechanisms for stimulating agriculture.

Would you believe that their government provides their growers in the agriculture sector three percent interest money? They make loans to their farmers at three percent. At a time when our government is getting out of the credit business, a stated goal of this Administration, get us out of the credit business, what kind of a playing field is this? Three different strategies that you outlined on page 178 on how the Brazilian Government subsidizes its producers is incredible to me. How are we going to deal with a world market in which we say we want it free and in which they are constantly devising techniques by which they can achieve greater exports, not in a free market context, but in a context of simply moving that product?

U.S. AGRICULTURAL SUBSIDIES

Mr. **Kay**. Well, I understand that, Congressman, but we should also point out that our government subsidizes our farmers as well through the loans which they can either repay or forfeit their crop. That is certainly a form of domestic subsidy.

We also have some transportation subsidies in this country. It is not as though our farmers have to go cold turkey. We are talking about the fact that over the four years of the 1981 farm bill we put out some $63 billion in subsidies to our farmers and we anticipate, and the projection for the first three years of the new farm bill is that outlays for commodity support prices will be some $52 billion. So it is not as though we can't subsidize our farmers.

Mr. **Traxler**. I appreciate the fact that we do. One of our problems is we are gradually withdrawing those subsidies and relying, resting entirely, quote, on the free market. My point is these overseas markets are not free and those other countries are not showing any indication or inclination to abandon their farmers as our Government is. Response?

IMPORTANCE OF TRADE NEGOTIATIONS

Mr. AMSTUTZ. In my judgment, this is why I emphasized this earlier, in my judgment they won't make those kind of moves until or unless we can agree multilaterally. That is why this new GATT round is so enormously important.

We use to believe the corrections had to first come domestically in all of these countries and then they could sit down multilaterally and make agreement. I have come to the conclusion that we need the pressure and force of the multilateral agreement to force the domestic adjustment.

The very subjects you are addressing, Mr. Traxler, are those that are on the table for the new GATT round.

TRADE POLICY WITH JAPAN

Mr. TRAXLER. For instance, we have been talking with the Japanese about their trade barriers to our agricultural products before I ever came into the Congress. The fact of the matter is, and the point they constantly remind us of privately, is that the Japanese farmer is an integral part of the coalition of the ruling party that has been in power since the Second World War. They look every American President right in the eye and say to him, do you want to disturb our coalition by driving the farmer into the hands of the other guys? We all know who the other guys are, don't we? Every American farmer, genuflects at that point—every American President genuflects, kisses the prime minister's ring, calls him our best friend in the Far East and sends him home assuring him we will do nothing to disturb the Japanese coalition system.

They know they have got us, but they don't have to have us.

Mr. AMSTUTZ. I agree, they don't have to have us. With all respect, Mr. Traxler, I would say this President has not done that, this President has been very forceful in his meetings with Prime Minister Nakasone in emphasizing the absolute need for Japan to open its market.

Now, I will certainly admit that our progress has not been as rapid or as great as any of us would like, but the fact is we have had progress in the wood products area. In part of the Market Oriented Sector Selective—MOSS—discussion, we succeeded in getting tariff reductions of between 30 and 50 percent from the Japanese and we paid nothing for that.

There was no offsetting change on our side. We succeeded in getting changes in building codes, in product standards so that U.S. products can be used over there. We are doing this industry by industry.

It is a slow process, but there is no question that this Administration is committed to moving ahead in this area.

Mr. TRAXLER. I want to say I certainly believe everything you have told me. I want to tell you also we have got that same answer from virtually every Administration that has sat across the table from us, that they were making great progress, they were consulting and talking with the Japanese.

I deeply admire a people that spends one percent of their gross national product on defense. I think that is an incredible achievement. And then persuade some other country that is running incredible deficits to defend them.

I think they are the first marvel of this world and I salute them. What I don't salute, however, is their persistent ability to con every American Administration into believing that somehow or other that if we put additional pressures on them to open up their agricultural markets, that it is going to result in the overthrow of their government.

They have been amazingly successful with that technique, aside from the fact they hire everybody who ever worked in government to represent and lobby for them. I certainly wouldn't want to knock the old American success story.

But that is a growth area we ought to carefully examine. If we had a few more governments like Japan, we wouldn't have any unemployment in Washington or anywhere else on the East Coast.

Mr. KAY. Mr. Traxler, I think we ought to also put on the record that Japan is still our largest buyer of agricultural exports amounting to some $6 billion a year. Not to say it shouldn't be more.

Mr. TRAXLER. Our trade deficit with them is running now some $35 billion a year, isn't it?

Mr. WATKINS. Thirty or 40.

Mr. TRAXLER. It certainly isn't going down. The problem is they still have a tremendous advantage on the balance sheet with us. I am looking at your report, Argentine wheat, for instance. If your figures are correct, in terms of planted hectares, they went from 8.6 million to 12.2 million in ten years.

Their exports in wheat from Argentina went from 8.7 to 15 million tons, nearly doubled in that ten-year period. They have, according to your report here on page 181 of last year's testimony, they have rather substantial techniques by which they subsidize their growers and encourage exports.

The record is replete on those pages demonstrating that indeed we really have our work cut out for us at this GATT conference.

Mr. AMSTUTZ. No question.

PROSPECTS OF GATT NEGOTIATIONS

Mr. TRAXLER. What prospects have we? For instance, in such a simple area as sugar—it isn't if there was ever a mis-statement—what prospects are there that we can persuade the Europeans on sugar or any other commodity, that they ought to play by some standard rules in which their exports, ought not to be dramatically subsidized by their government and sold on the world market, dumped on the world market for any price they can get. They too argue that the farmer is an important part of their government's coalition or that they are constrained by how far they can go by internal domestic political considerations. What prospects are there?

Mr. AMSTUTZ. Let me answer you two ways, because Mr. Stenholm asked me a similar question another day at another hearing. For sure, I want to give you the same answer I gave him.

Before I give you the bottom line I gave him, let me address the first part of your question. We have, I think, two areas of leverage to use in achieving some success. First, the cost to these governments of their current policies and that cost is mounting. Cost to government is as serious to each of the member states of the European Community as it is to the United States.

That is one thing we have that will help us. The other thing I think that will help us is that their policies in sugar, for example, are seriously hindering the development of markets for other goods and services around the world and they, like us, for all products produced, need growing markets if they want their economies to grow.

All of us need exports of something or another. So we have two things going for us. Now, let me give you the bottom line because Mr. Stenholm asked me, similar to you, what were our prospects for success. He asked me first on a scale of one to ten, if one is a completely unfair trading system around the world, in other words, a no free trade system, and ten is a free trade system, where we are on that spectrum right now and I said I guess we were at a two.

Then he said after you are finished with the GATT negotiations, where do you think you will be? I am going to answer you a little bit differently from what I said to him. I said we have to work awful hard to get as close to that ten as we can, but I suspect we will probably end up at a five.

BEANS AND BRINE

Mr. TRAXLER. Our report on the fiscal year 1986 agricultural appropriations bill strongly encourages you to give greater consideration to providing beans canned in brine as well as ultra-high temperature milk in the Food for Peace Program. What have you done to follow this recommendation, and if you haven't taken any action, why not?

Mr. KAY. Our staff met with both an interested exporter and a potential importing country since this question was posed last year. Unfortunately, it was determined that the freight cost associated with the combined weight of the beans, brine fluid, and cans made the product prohibitively costly for the buyer. The same situation arose in the case of fluid milk.

MARKET DEVELOPMENT PROGRAM

Mr. TRAXLER. I know that the market development program is very important for the dry bean industry in my State. The Michigan Bean Shippers Association in particular has participated in this program. Can you describe for me what activities you are undertaking with market development activities during this fiscal year, and what you propose for fiscal 1987?

Mr. KAY. The Michigan Bean Shippers and Commission conduct an excellent program on a very small budget. As you are aware, the program is largely technical and trade servicing in nature and targeted at the primary markets for Michigan beans—the United Kingdom and Western Europe. In conjunction with other segments of the U.S. dry bean industry, a mission visited Japan in 1985 to study market potential and assess the implications of the Japanese quota system. This summer, a team of Japanese pulse end-users will visit the United States to further these market development efforts. The scope of the FY 1987 market development program will depend on the level of funds appropriated by the Congress and/or the ability of our dry bean industry to finance future programs with funds they might hope to generate from U.S. growers, processors, dealers, and exporters.

COOPERATOR PROGRAM

Mr. **Traxler.** I'm somewhat confused by your budget. Other people from the Department keep trying to tell us that the farmer's salvation is in exports. Yet your budget for the market development program is being cut by about one-fourth, because you want to reduce the deficit. How can you tell farmers to export more, and then turn around and cut off the programs that help them export?

Mr. **Kay.** The need to reduce the Federal deficit and our commitment to increased privatization of certain industry-related programs have dictated significant reductions for several of the Department's activities, of which the cooperator foreign market development program is only one. We are hopeful that any negative impact resulting from the necessary reduction in Federal funding for the cooperator program will be more than offset by the positive effects of the export provisions of the new Farm Bill and the more competitive posture for U.S. agricultural commodities.

Mr. **Traxler.** What was the value of sales generated by the market development program in fiscal year 1984 and 1985, and projected for fiscal year 1986?

Mr. **Kay.** The program certainly can't take credit for all of our export sales, but we do believe that it is one of the strongest tools that we have at our disposal to expand and maintain our markets. If I were to guess, I would estimate that we could attribute about 20 percent of our sales to the cooperator program. One of our cooperators did contract with Chase Econometrics to produce such an analysis, the results of which indicated a return of 62 dollars in increased export value for each market development dollar invested in that program. Because the effects of export market development efforts are long term and cumulative, it is very difficult to quantify increases in export value or quantity directly attributable to those efforts. As a general rule, we don't expect the real effects of most current market development projects to be manifest for three to five years. Also, promotion is only one factor in the marketing mix and its effects are influenced by other variables over which FAS and the cooperator have no control—the world political situation, the relative values of the dollar and foreign currencies, U.S. and foreign trade policies, U.S. and foreign supply situations, and the actions of our competitors.

SUGAR

Mr. **Traxler.** We have a sugar program in place for another five years which should help our domestic growers compete fairly in a so-called world market that is offset by foreign government subsidies and contract sales. What role will FAS take in being sure that the intent of Congress in maintaining this sugar program as a no-cost program?

Mr. KAY. The Foreign Agricultural Service gets directly involved in the interagency process which reviews the operation of the sugar program. Few, if any, aspects of the U.S. sugar program escape the scrutiny of this ongoing interagency review. The Foreign Agricultural Service and other agencies involved in this review will assure that the sugar program is operated and administered in such a manner that meets the requirements of the law and the intent of the Congress, at no cost to the U.S. Government.

Mr. TRAXLER. Can you explain to us why the Department decided to impose import quotas that represented substantial increases over 1985, and then took so long after the Farm Bill was passed to extend the time period for these quotas?

Mr. KAY. The sugar import quota which was announced on September 13, 1985 is actually somewhat reduced from the previous year's quota. For the previous 14-month quota period, authorized sugar imports under quota averaged 191,000 short tons per month, while the 10-month quota announced on September 13, 1985 authorized an average of 185,000 short tons per month.

The quota is established under the sugar headnotes of the Tariff Schedules of the United States. These headnotes require that in setting a sugar import quota we must "give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade." As a result, when we set a quota, the level of the quota must take into account the interests of both domestic producers and foreign suppliers. The quota which was announced last September was the result of an in-depth and comprehensive interagency review and was designed to accommodate the interests of both domestic producers and foreign suppliers.

Section 902 of the Food Security Act of 1985 requires that in the current quota period the Administration must either extend the quota period to end no earlier than December 31, 1986 or take action to reduce loan forfeitures by an amount that would occur with such a quota period extension. The 1985 Act does not specify that the Administration must take this action by any particular date.

The Administration reviewed the full spectrum of options which would meet this requirement of the 1985 Act and after extensive deliberation decided to extend the quota period to December 31, 1986. Comprehensive reviews of this nature are not accomplished overnight. As a result, the extension of the quota period was announced on February 27, 1986 about two months after the President signed the Food Security Act of 1985.

CUT FLOWERS

Mr. TRAXLER. Last year we spent a great deal of time reviewing foreign production of a number of commodities competing with our producers. I am hearing this year from a number of flower producers, particularly rose growers, who claim that imports of cut flowers have increased substantially, entering the United States primarily in Florida from Colombia. Could you describe to us the level of cut flower imports over the last five years, the main sources of these flowers, whether or not any of the producing countries have any kind of domestic rebates or export subsidy programs, the potential for expansion of their exports, and what USDA is doing to represent American growers?

Mr. KAY. U.S. imports of all cut flowers increased from $102.8 million in 1981 to $220.9 million in 1985. Roses and standard carnations accounted for 38 percent of the import value in 1985. Imports of roses increased from 72 million blooms in 1981 to 173 million in 1985. Standard carnation imports increased from 492 million blooms in 1981 to 715 million in 1985.

The main sources of fresh cut flower imports to the United States are Colombia, Israel, the Netherlands, Costa Rica, Guatemala, Mexico and Peru. Colombia alone accounted for 60 percent of the value of imports in 1985.

A Department of Commerce investigation in 1982 found that Colombia's export tax rebate program—CAT—constituted a subsidy of 4 percent. In January 1983, a suspension agreement was signed by Colombian flower exporters and the Department of Commerce. Under terms of the agreement, Colombian exporters renounced the CAT program.

The United States imposes a countervailing duty of 22.56 percent on imports of roses from Israel to offset subsidies given to growers and exporters in that country.

Based on the trend of recent years, we believe that flower exports to the United States will continue to expand. In Colombia, flower exports are forecast to increase by 4 percent in 1986. The area devoted to flower production in Colombia continues to expand at a moderate rate, and a new flower export terminal is under construction at Bogota's international airport. The Caribbean Basin Initiative has stimulated interest in the cut flower trade in Central America and the Caribbean. Other flower exporting countries expect the United States to be a growth market because the current level of flower consumption in this country is much less than in Europe.

The USDA speaks on behalf of American flower growers when issues pertaining to them are raised in interagency meetings. For example, the USDA has opposed the broadening of Generalized System of Preferences—GSP—benefits for cut flower imports.

Mr. WHITTEN. You talk a good game. Unfortunately, the farmers are broke, and the banks are going broke, and the best test of whether you are accurate or not are the conditions we face.

Mr. WHITTEN. Mr. Akaka.

Mr. AKAKA. Thank you very much, Mr. Chairman.

Mr. Secretary, and Mr. Kay, I know that your responsibility is exports. I see that you have had some successful programs underway in the export business. I just happen to represent a state that is not in that field; instead, we import. However, we have products such as papaya that we are exporting and we want to increase those exports.

We have been trying to meet the standards as well as the laws that would permit us to export these to foreign countries.

FOREIGN MARKET DEVELOPMENT PROGRAM

I have three questions for you, Mr. Kay. The first is in what ways is the Foreign Market Development Program been helpful in opening new markets for U.S. agricultural products?

Mr. KAY. Congressman, we feel that the cooperative program has been successful because it has been a sustained effort. You don't open markets by deciding today we are going to open a market in X country and then throwing a little money at it. Cooperative programs are developed on a systematic basis involving studies, trade shows, and demonstrations in markets sustained over a period of time to acquaint people with the taste of new products, packaging and so forth, in an effort to win markets. Our cooperators have been sensitive to the fact that in some areas perhaps they have saturated a market and some of them with the insistence of FAS have redirected their attention at other markets and to developing new markets.

So we live in a constant state of flux in the world and it is our responsibility to respond to that. For these reasons we feel that the cooperator program, with the joint contributions of FAS, the cooperators from third parties like foreign buyers, that once we get a little foothold and an interest is shown by a foreign buyer, this combination works to penetrate markets that perhaps no other has ever done.

Mr. AKAKA. I understand that there are about 130 agricultural firms producer groups and State agricultural departments who participate in your program. I would be interested in seeing a list of those 130. Will you please provide it for us?

Mr. KAY. Be glad to provide it, yes, sir.

[The information follows:]

APRIL 24, 1986

MARKET DEVELOPMENT ACTIVITIES

COOPERATOR

AMERICAN SEED TRADE ASSOCIATION
COTTON COUNCIL INTERNATIONAL
TOBACCO ASSOCIATES

AMERICAN SOYBEAN ASSOCIATION
NATIONAL COTTONSEED COUNCIL
NATIONAL PEANUT COUNCIL
NATIONAL SUNFLOWER ASSOCIATION

CALIFORNIA AVOCADO COMMISSION
CALIFORNIA CLING PEACH BOARD
CALIFORNIA RAISIN ADVISORY BOARD
CALIFORNIA TABLE GRAPE COMMISSION
CALIFORNIA PISTACHIO COMMISSION
FLORIDA CITRUS COMMISSION
FLORIDA NURSERYMEN & GROWERS
NATIONAL POTATO PROMOTION BOARD
NW HORTICULTURAL COUNCIL
NORTH AMERICAN BLUEBERRY COUNCIL
PAPAYA ADMINISTRATIVE COMMITTEE
WESTERN GROWERS ASSOCIATION
WINE INSTITUTE

MILLERS NATIONAL FEDERATION
NATIONAL DRY BEAN COUNCIL
NATIONAL HAY ASSOCIATION
PROTEIN GRAIN PRODUCT INTERNATIONAL
RICE COUNCIL FOR MARKET DEVELOPMENT
USA DRY PEA & LENTIL COUNCIL
U.S. FEED GRAINS COUNCIL
U.S. WHEAT ASSOCIATES INC.

NATIONAL FOREST PRODUCTS ASSOCIATION

AMERICAN CATFISH MARKETING ASSOCIATION
AMERICAN QUARTER HORSE ASSOCIATION
APPALOOSA HORSE CLUB INC.
BROWN SWISS CATTLE BREEDERS ASSOCIATION
DAIRY SOCIETY INTERNATIONAL
EMBA MINK BREEDERS ASSOCIATION
HOLSTEIN-FRIESIAN ASSOCIATION OF AMERICA
LIVESTOCK EXPORTERS ASSOCIATION
MOHAIR COUNCIL OF AMERICA
NATIONAL ASSOCIATION OF ANIMAL BREEDERS
NATIONAL ASSOCIATION OF SWINE RECORDS
NATIONAL PECAN MARKETING COUNCIL
NATIONAL RENDERERS ASSOCIATION
SOUTHEASTERN POULTRY AND EGG ASSOCIATION
TANNERS COUNCIL OF AMERICA
U.S. BEEF BREEDS COUNCIL
U.S. MEAT EXPORT FEDERATION

EXPORT INCENTIVE PROGRAM

ALMADEN VINEYARDS
BUD ANTLE, INC.
CALIFORNIA ALMOND GROWERS EXCHANGE
DEL MONTE CORPORATION
GREEN GIANT COMPANY
MAYFAIR PACKING COMPANY
OCEAN SPRAY CRANBERRIES, INC.
PURE GOLD, INC.
SIOUX HONEY ASSOCIATION
SUN WORLD, INC.
SUN-DIAMOND GROWERS OF CALIFORNIA
SUNKIST GROWERS, INC.
TENNECO WEST, INC.
TROPICAL BLOSSOM HONEY CO., INC.

STATE GROUPS

SOUTHERN U.S. TRADE ASSOCIATION (SUSTA)

MID-AMERICA INERNATIONAL AGRI-TRADE COUNCIL (MIATCO)

EASTERN U.S. AGRICULTURE & FOOD EXPORT COUNCIL (EUSAFEC)

WESTERN U.S. AGRICULTURAL TRADE ASSOCIAITON (WUSATA)

NATIONAL ASSOCIATION OF STATE DEPARTMENTS
OF AGRICULTURE (NASDA)

Mr. AKAKA. I guess the rest of my questions would be directed to Mr. Amstutz.

U.S. SUGAR QUOTA

In your position you have the primary responsibility for administering the U.S. sugar loan program and recommending sugar quotas. I commend you and your administration on your recent announcement which intends to comply with Section 902.

Section 902 requires that the sugar quota be implemented which will be at no cost to the Federal Government. I am glad to hear you remark that your job is to carry out the law. That certainly is part of the recent act that was passed.

I also commend you for extending the sugar quota for three months. I think that is a step in the right direction.

That tells me that there is some favorable attitude here. I also want to commend you for three straight years of following the congressional intent which has not been any cost to our Federal Government in support of sugar.

On September 13, 1985 quota was announced for sugar. Hundred thousand tons increased over our domestic sugar requirements. This has, I understand, resulted in an immediate cost of a hundred million dollars to our Federal Treasury. If this were not done, of course, we would be saving a hundred million.

This unnecessary expenditure of Federal dollars was contrary to the congressional intent at that time and it did cost us some money. This year we have a new bill and in it the President is given all the authority to operate the sugar program at no cost to the Federal Government by preventing the accumulation of sugar acquired by the Commodity Credit Corporation. This strengthened provision requires that quotas be established at a high enough level and not to be a cost to the Government.

We know that you play a central role in administering the sugar program and setting the quotas. My question to you is can you assure me that you will do your part to avoid expenditures of Federal dollars by recommending quotas that are high enough to keep the program operating at no cost?

Mr. AMSTUTZ. Yes, I can, Congressman. I will repeat again, I am honor-bound and duty-bound to fulfill the law.

The law is quite clear now.

Mr. AKAKA. Thank you very much for that.

SUGAR QUOTA EXTENSION

Also, on February 27, the Department announced it would extend the quota year by three months in order to comply with requirements of 902 of the farm bill. Unfortunately, this week's domestic price is nearly a cent below the market stabilization price, the MSP, for sugar. Unless the domestic price rises above the MSP, we will begin to see forfeitures in sugar to the Government.

This is something I know neither the sugar farmers nor the Government, nor the taxpayers want to see happen. Can you assure me you will take additional steps to raise the domestic price of sugar above the market stabilization price so there will be no forfeitures of sugar and hence no cost to the Federal Government?

Mr. AMSTUTZ. We watch this market closely, Congressman.

We have had some requests that we are currently studying to give an extension on this year. As I say, that is under active study right now.

That could address the problem you raise. There is another phenomenon, and I can't tell you right now how it will sift out, but in extending the quota year as we have done there has been a certain tendency of shippers to the United States to what I call front-end load their fulfillment of the quota.

So my sense is that more sugar has been coming in sooner than later and that as this sifts out we will have less coming in and have—I am not saying this very well, but I hope I am communicating it, an upward effect on the market, too.

So I think the system itself as it shakes out a little bit will improve this. One thing that benefits us this year is we have had no huge surprises this year on either the supply side or the consumption side as we did a year ago. On the consumption side last year we had the surprise of this huge shift from sugar to other sweeteners in the soft drink industry and we had a surprise on the supply side in the beet area where we came up with a much larger beet crop than we had forecast. We don't see those kinds of surprises this year so it should work better.

Mr. AKAKA. Just thinking about to September, 1985, when the quota was raised to 600,000 tons, what should have been the level of sugar quota established by the Department at that time if the Government was to avoid all losses to sugar to loan forfeitures? As it was, there was a loss of hundred million.

Mr. AMSTUTZ. You are absolutely correct, Mr. Akaka, by saying the quota was higher than the absolute balance would have indicated. My memory tells me—I could give you a specific number later on—but my memory tells me you are very much on the money with your 600,000 figure.

I have to tell you that this decision on the quota was made at the highest level of our Government. I can tell you unequivocally that when that decision was made this other option was on the table.

LEGISLATION AFFECTING SUGAR

Mr. AKAKA. A final question, Mr. Chairman.

Mr. Secretary, does the Administration intend to propose any legislation affecting the sugar program and what will this proposal do if you do and when will you do it?

Mr. AMSTUTZ. You will recall when the President signed the farm bill he did say at that time that he intended to ask the Congress to reconsider sugar. I am confident that such a request will be made in the form of a proposal.

I am not confident as to when that will be, Mr. Akaka, but I will make a note and do my best to keep you posted on it.

Mr. AKAKA. Mr. Amstutz, what direct evidence do you have that sugar importers have been shipping quota sugar earlier in the quota year and that this situation may result in the domestic price for sugar exceeding the MSP before the end of the fiscal year?

Mr. AMSTUTZ. Shipments of quota sugar are controlled through the Department's recommended shipping patterns and the corresponding disbursal of Certificates for Quota Eligibility-CQE's. CQE's are distributed to our attaches and counselors overseas who then diburse the CQE's in accord with the shipping patterns to the exporting party of the supplying country. When we extended the quota period and revised the shipping patterns on February 27, 1985, CQE's had already been disbursed in accord with an earlier shipping pattern which authorized more shipments of quota sugar than the revised pattern now allows. As a result, imports of quota sugar during the first part of this quota period will exceed those during the latter part of this quota period so that prices later on in the year will more than likely exceed current prices. We have not, however, projected that these prices will be at or above any particular reference level such as the MSP.

GAO REPORTS

Mr. AKAKA. Mr. Kay, an OIG report was commenced in FY 1985 on the fraudulent drawback on sugar exports. When will this report be complete and if it is already finished, provide an executive summary for the record.

Mr. KAY. It is more appropriate for the Inspector General to comment on this matter. I will just say that this is part of an ongoing investigation which has not yet been completed.

Mr. AKAKA. Mr. Kay, a GAO report was completed in FY 1985 which surveys the U.S. sweetener industry. Provide an executive summary of this report for the record.

Mr. KAY. I will have exerpted for the record the introductory section of this report, which summarizes the detailed findings of the full report.

[The information follows:]

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

U.S. SWEETENER/SUGAR
ISSUES AND CONCERNS

DIGEST

The United States is among the world's largest sugar users, consuming about 10 percent of the world's supply. In 1983 the United States used almost 9 million tons of sugar, producing about 64 percent of it and importing the rest. (See p. 4.)

Before the "Sugar Act" expired in 1974, production, marketing, and importation of sugar had been regulated under a quota system. Since 1977, sugar price-support programs have been considered with farm legislation enacted by the Congress every 4 years. The U.S. sugar price-support program now in effect is part of the 1981 farm legislation. (See p. 1.)

The current price-support program allows eligible U.S. processors to use their sugar stocks as collateral for federal loans at the government-established support price. Market prices must remain higher than the support price to avoid government acquisitions of sugar due to loan forfeitures. The market price has remained above the support price partly because import quotas, which were established by the President in May 1982, restricted the supply of sugar brought into the country. (See p. 1.)

GAO is presenting this report to be of assistance in congressional deliberations on the 1985 farm bill, under which the sugar price-support program will be considered for renewal. The report provides information on the domestic sugar industry--including American sugar consumption and the views of sugar producers and users--as well as general policy questions and international considerations.

U.S. PER CAPITA CONSUMPTION OF SUGAR HAS DECREASED

The United States is now in an era of multiple sweetener use. From a clearly commanding position in the U.S. sweetener market, sugar has moved to one of shared importance with other sweeteners, such as corn sweeteners and artificial substances. According to Department of Agriculture estimates, sugar consumption in 1972 was about 103 pounds per capita (about

79 percent of total sweetener use); by 1983 it had decreased to about 71 pounds per capita (53 percent of total sweetener use).

Consumption of corn sweeteners more than doubled between 1972 and 1983. Also, U.S. use of non- or low-calorie sweeteners such as saccharin and aspartame increased. (See pp. 7-10.)

DOMESTIC SUGAR PRODUCTION IS DECLINING

A lessening of the importance of sugar in the sweetener market has contributed to a decline in production of the domestic plants from which sugar is made. Sugarbeet production, active in about one quarter of the states, declined from 4 million tons in 1975, its peak crop year, to 2.6 million tons in 1983. Sugarbeet plant processing capacity has also fallen. In 1983 there were 14 fewer facilities than in 1975; processing capacity was down about 22 percent. The Department estimated that for crop year 1983 almost 9,800 farmers produced sugarbeets on an average of about 105 acres each. (See pp. 11-13.)

Sugarcane is grown in Florida, Louisiana, Texas, Hawaii, and Puerto Rico. Domestic production of sugarcane was about the same in 1983 as it was in 1975--about 3.1 million tons. Twenty-five processing facilities, however, representing about 14 percent of processing capacity, ceased operation during this time period. The Department estimated that for crop years 1982 and 1983 almost 2,900 farmers produced sugarcane on an average of about 261 acres each. (See pp. 13-16.)

INTERNATIONAL CONSIDERATIONS

The United States, as a major sugar importer, is important to the world sugar market. International considerations include economic effects on sugar-exporting countries; the recent U.S. initiative to promote economic development in the Caribbean region, which is a major U.S. supplier of sugar; and the effort to stabilize world sugar prices through an international sugar agreement.

The sugar price-support program may economically affect sugar-exporting countries.

Quotas--and how much sugar could have been sold (and at what price) if quotas were not in place--benefit or hurt countries subject to such limits. Nations without quotas can be hurt twice: they cannot sell sugar to the United States and may--due to lower demand--command lower prices on the world market. (See p. 19.)

In August 1983, the President signed the Caribbean Basin Economic Recovery Act (Public Law 98-67) which authorizes him to promote economic development in specific countries in the region by providing certain trade and tax incentives. The act, as implemented, allows certain Caribbean nations to increase their revenues from sugar exports to the United States because it gives duty-free status to sugar imported from them. (See p. 20.)

World sugar prices have fluctuated sharply over the years. In an effort to stabilize the world price of sugar, the United States and about 70 other nations entered into the International Sugar Agreement, 1977, which calls for using quotas when prices are too low and releasing sugar stock in reserve when prices are too high. The agreement was to expire in 1982 but has been extended through 1984.

The agreement has not been effective, according to the Department, in maintaining sugar prices within the prescribed range (now 13 to 23 cents per pound). One cause is the European Economic Community--which produces about one third of the world's beet sugar. Not a party to the agreement, it has not held sugar off the market during periods of low world prices. Attempts to negotiate a new agreement had not been successful as of August 1984. According to a U.S. trade representative involved in the talks, participants in the agreement negotiations, which include the European community, have not been able to agree on specific regulatory mechanisms to include in a new pact. (See p. 21.)

SUGAR-USER AND SUGAR-PRODUCER VIEWS DIFFER

During 1983, representatives of the sugar-using industries (food and beverage processing companies that use sugar as an ingredient) and sugar-producing industries contracted with consulting firms to study sweetener policy issues.

Each group developed data and analyses that support its respective position concerning the need for a continuing domestic sugar price-support program.

Rises in sugar prices are passed on to consumers through increases in wholesale prices of products with a high sweetener content such as baked goods, according to the users' study. It says that a 1-cent rise in the price of U.S. raw sugar results in about a $257-million increase per year in the wholesale cost of sweeteners and that the current sugar price-support program costs consumers $2-3 billion annually. The study suggests a possible need for a minimal price-support program and proposes that prices be supported near the average level of variable costs of production in efficient U.S. sugar-producing areas. Such a plan, they argue, would save consumers about $1.2 billion a year. (See pp. 24-26.)

The sugar producers state that a price-support program is necessary to ensure an adequate supply of sugar at a relatively stable price. The producers' study asserts that although changes in raw sugar prices may directly affect the retail price of sugar, the impact of such changes on retail prices of high sweetener content foods and beverages is obscure and occurs slowly. As a result, the study states, meaningful savings for consumers due to small reductions in raw sugar prices could not be expected in the short run.

The producers' analyses, however, that support the conclusion are based on short-run data. In addition, they do not appear to consider lagged price effects or the influence of other factors, i.e., energy, transportation, and wage costs, on retail prices of prepared foods. These factors usually represent a substantial share of total production cost. (See pp. 23-24.)

POLICY QUESTIONS

This report discusses five policy questions (see ch. 6) concerning the sugar price-support program:

--Is a sugar price-support program still needed?

--If so, at what level should sugar prices be supported?

--What methods could be used to carry out the program?

--Who pays for the program?

--What are the international considerations?

Without a sugar price-support program, the United States would rely on the world market to determine who would supply the sugar consumed in the United States, how much would be supplied, and at what price. It seems probable that during a time of low world prices, many U.S. sugar producers and processors would not find it economical to remain in business, and the United States would thus become more dependent on imports.

Retaining the sugar price-support program involves costs to U.S. citizens as a subsidy to U.S. sugar producers. Partly due to the current program, the United States is producing an increasing share of its shrinking sugar consumption.

In addition to subsidizing domestic sugar producers, the sugar price-support program, by maintaining high prices for domestic sugar, indirectly promotes the U.S. corn sweetener industry, which has lower costs of production and produces close substitutes for sugar. Over the long term, high sugar support prices could lead to corn sweeteners replacing more of the sugar market.

The price level at which sugar is supported influences the size of the U.S. sugar industry. A relatively high support price protects a larger number of domestic producers, provides for more domestically produced sugar, encourages use of substitute corn sweeteners, and, if accompanied by import quotas, raises the domestic price of sugar to consumers and reduces the quantity of imports. A relatively low support price, conversely, encourages higher cost producers to leave the industry, reduces domestic sugar production, increases U.S. reliance on foreign producers, provides less expensive sugar for American consumers, and discourages use of substitute corn sweeteners. (See p. 27.)

Quotas, tariffs and fees, government support payments, and/or government loan programs are all methods that could be used in a sugar price-support program. Supporting the price of sugar through import restrictions directly increases consumer costs without expense to the U.S. Treasury. Supporting the price through direct payments is a Treasury cost rather than a direct consumer expense. (See pp. 30-32.)

Finally, as a major worldwide trading partner, the United States must take the international considerations into account in determining domestic sugar policy. (See ch. 4.)

AGENCY COMMENTS

The Department of Agriculture, commenting on a draft of this report (see app. VI), expressed concern that the draft implied that sugar quotas are set to generate a market support price that will prevent price support loan forfeitures. The Department suggested that the report be revised to clearly state that the price of sugar is supported through the sugar loan program. Changes to the report have been made to clarify how the price of sugar is supported. (See p. 33.)

The Department also suggested several technical changes; GAO has, where appropriate, made those changes.

GAO REPORTS

Mr. **Akaka**. Mr. Kay, a GAO report was commenced in FY 1985 on the desirability of moving the National Marine Fisheries Service to USDA. When will this report be complete and, if it is already finished, provide an executive summary for the record.

Mr. **Kay**. GAO expects to complete the study you refer to in July of 1986.

Mr. **Akaka**. What is the justification for considering such a move?

Mr. **Kay**. The Department did not initiate the request for this report. It is our understanding from GAO that the report was requested by a member of Congress.

Mr. **Akaka**. Mr. Kay, a GAO report was commenced in FY 1985 on the export market and promotion program. When will this report be completed and if it is already finished, provide an executive summry for the record.

Mr. **Kay**. The GAO report on the foreign market development program is expected to be completed in September or October, 1986.

Mr. **Akaka**. Mr. Chairman.

Mr. **Whitten**. Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. Amstutz, and Mr. Kay, it is a pleasure to see you here. I think speaking to you, Tom, they put the right man in the right job at the right time. You have been around this place a long time. Now that you have got all this great burden, I couldn't be more pleased.

Of course, Mr. Amstutz I think has done an excellent job in this area, too.

Mr. **Kay**. Nice to hear an encouraging word, Congressman.

Mr. **Skeen**. You will get encouragement from this side. While we are talking about this balance of trade thing, it is always amazing to me if I am not mistaken, the agriculture sector of that trade balance or imbalance is probably the brightest side of the whole trade picture and I think it is hard for a lot of us in Congress to really realize the total scope of this thing because we are still more introspective than we are outward moving in this regard.

I know that some of the stories we have heard about trading with the Japanese, I have heard that belabored at great length this morning and one of our problems here in Congress, we don't really understand the attitude of the Japanese as a nation.

JAPANESE SODA ASH

They are a very cohesive group and I think one of the greatest examples I ever heard and I will share this with you because I know you have heard it too is in the case of soda ash. Soda ash is a monopoly and used in manufacturing in many products but in Japan it is a monopoly, I think controlled by one company.

Their price was something like $120 a ton. We could sell it and deliver it to Japan for $70 a ton and we had about 7 percent of their market so we went on a big campaign and we got a concession from them we can sell soda ash to them and we rose to about 17 percent sales and then it leveled off.

We couldn't understand why. What the Japanese did, and those that had the monopoly, went on a public relations campaign that said be patriotic, buy products made from Japanese soda ash.

Can you imagine somebody doing that in the United States? Well, they leveled off and that is where soda ash has stayed and we could sell all we wanted to to them and it is a great—there is a great differential there to work with but they are not going to buy anymore of it.

That is just how cohesive or homogeneous type of society they are. That is a little bit strange to us. I think you are doing an excellent job trying to do this.

Maybe if we could stretch our understanding to a little greater extent, the other thing is you can't do it all with agricultural products. The Pacific rim countries which are good customers of ours would like to take more of our goods, but the question over there is how much more wheat, of your wheat, can we eat in Taiwan and Malaysia and the rest. Why don't you sell us some of the things we would really like to have. Why don't you sell us some of the Alaskan oil that you preclude us from getting.

Now maybe we would be happy to sell it. It is so dog-gone expensive taking it around the Horn here or through Panama, the Canal, but these are things that are very difficult to grasp in the worldwide picture and I appreciate the complexities and the very difficult job that you have making us understand and also then coming back up here and showing us real bona fide examples of how we are improving our trade balance.

Because we are really not. Until we get to the point where they are going to sell them something they really need, energy products or something of that kind, and fit it into a total export picture. So I just want to let you know I appreciate the work you are doing and appreciate, too, the education that you do on us on how difficult this picture is.

MOSS NEGOTIATIONS WITH JAPAN

Mr. **Amstutz.** Mr. Skeen, may I say this? Your comments are very interesting. Soda ash in Japan is a principal reason why the MOSS negotiations began. MOSS stands for Market Oriented Sector Selective, and what that means is that we address all the factors that relate to trade, not only things that are obvious like quotas and tariffs, but all kinds of non-quota, non-tariff factors such as cartel and distribution, government permissiveness in allowing campaigns that we would regard as an anti-trust violation over here and so forth, a thorough, involved, detailed negotiation of all aspects of the trade picture.

As I say, soda ash and the problems relating thereto and therefrom were a principal reason why the President in January of 1985 advanced this MOSS process with the Japanese.

Mr. **Skeen.** I think it was a prime example and it serves a good purpose, but it certainly did enlighten me as to that attitude and what little visiting I have been able to do in that area, there is just a whole different concept.

We are dealing with a different form and system of government. By the way, we talk about how protective the Japanese are of their farm and agricultural block because each one of those folks has the same power and vote as someone who represents a district in the midtown in Tokyo.

That was one of the failures that we did when we gave them their system of government back after World War II. We did it to ourselves.

We have been doing a whole lot of these things to ourselves. It is about time we got ourselves noticed up, as they say in my part of the country, and start dealing with this thing with some real good solid background and quit expecting miracles because somebody gets appointed to the Department of Agriculture to handle trade or the International Trade Commission.

You folks do miracles, but only on Wednesdays and Thursdays. That is just about our span here in Congress as well, not being critical. This is Thursday, by the way.

Thank you all very much.

Thank you, Mr. Chairman.

Mr. WHITTEN. I started to interrupt my good friend when he said you are the man for the time. Looking at the farm picture today, I don't know whether that is a compliment or not.

The farmers are all broke and there are so many other things involved. For example we have got military establishments in 375 countries.

I had an investigation when the Secretary wouldn't sell before, about 30 years ago. I found that we had 712 specialists teaching our foreign customers how to be competitors. We have some of that now. We weren't satisfied in Japan but we had to turn our business over to them and let them have a market. In the opinion of some it was so they could overcome what we had mistakenly done.

We still have 41,000 military people in Korea. Which, in turn, has a big share of the world market that formally the Americans had. I had asked somebody the other day down at the White House what would happen if we took over Nicaragua? How much of our business would we have to give them like we did to Japan and Korea? History teaches us that many have tried to conquer the world, but the losers have to pay for it.

Now, the other side of it is that if the administration is going to cut agriculture as it proposes here, what do we need all you people for? If the farmer can't count on you to help him break even and perhaps even make money, who can he count on?

Some years ago we had a Secretary of Agriculture who said—this was under a Democratic administration—"You can't talk to the president about agriculture unless you get there early or walk with him to the swimming pool".

Now, one of the first committee hearings I went to was about trying to get the State Department to quit sitting on American agriculture and to let it have a fair share of world markets. I want it made clear here, too, that I am not out to break the world or to break all our competitors.

NEED TO MAINTAIN WORLD MARKET SHARE

I believe we ought to retain our normal share of world markets by being competitive, but draw the line and let them know about it. From my own investigation, years ago, which is a matter of record, foreign countries would like to buy from us because we have been a dependable supplier. As to Japan—this is my individual position, the answer to Japan is like horse trading on anything else. We are letting them send everything in here, and we are begging them to let us send something over there.

Why don't we just draw the line? Are we afraid of them? Do we have to have them for military reasons? Anybody can tell you that we have the right to limit them and that is the way to get them to quit limiting us. But somehow we don't get those in charge to do this.

Things are really bad for the American farmer today—they are committing suicide—when they are losing land that has been in the family over 100 years. When the Farmers Home Administration is saying he has to pay everything he owes under regulations used under the new law the farmer must show he can make money before FmHA will give him a loan. That is why we set up the agency to begin with, to help the fellow who couldn't get credit elsewhere.

I don't know what we can do to see that you begin to work for the farmers. That is the purpose of the Department. You have got the Commodity Credit Corporation. Unfortunately, the officers of that corporation are also employees of the Department of Agriculture under the Secretary who, in turn, is dominated by the State Department.

I don't know what we can do about it, but it is a fact. Now, a few years ago we earmarked separate funds to pay employees. We finally gave that up on the insistence of the Senate. This time we may have to have a separate appropriation for each division, because something has got to give and we don't need a whole lot of people if we are not going to have farmers who can make money farming.

I say again that we are buying $140 billion of things from abroad that we could produce in this country. We are buying $45 billion worth of goods from Japan.

Did you know we were still spending $4.6 billion to keep troops in Germany? When you go over there they talk about us paying for their military reserve.

We like all of you individually but we have all got the same problem. We can't keep farmers farming for less than cost and we can't keep subsidizing those who buy from him.

Mr. **Kay**. Thank you Mr. Chairman.

Mr. **Whitten**. Mrs. Smith is back.

Mrs. **Smith**. I am glad you are still here, Mr. Amstutz. I apologize for having to leave. I have 65 Close-up students and their teachers that I have been working with. I will just ask one question but I think it is a very important one.

CARGO PREFERENCE

I am aware that we took a real step ahead in the cargo preference issue when we finally agreed that cargo preference can be used only for concessional food aid and we all agree that it was wrecking our export market as we make an effort to encourge exports, however, I go right along with the Administration and I hope you will comment about it.

In their request of Congress we do not fund the money for increasing the concessional shipments from 50 to 75 percent. You know that last year in our committee we had to appropriate 155 million more dollars in order to send that food to Ethiopia on cargo preference ships and I think we ought to cut this business out.

Mr. AMSTUTZ. Mrs. Smith, I can tell you unequivocally that the Administration agrees with you. The Administration's position has been that the cargo preference rules should be as they were, namely, the Administration has no argument with concessional sales being subjected to cargo preference, but that it should be just concessional sales and the 50 percent rule should prevail.

As you know, at the time the farm bill was considered that just didn't carry the day. I was heartened that the position you advocate and that the Administration advocates did get bipartisan support.

So I am hopeful that when it is re-addressed that that bipartisan support will just be in larger numbers.

Mrs. SMITH. We will keep working on that and we appreciate very much you being here and I have read your testimony with great interest.

EXPORT MARKETS

Mrs. SMITH. How soon can we reasonably expect a turn-around in our export markets?

Mr. KAY. We expect 1986/87 to be the first year in seven in which U.S. agricultural exports increase rather than contract. We expect 1986/87 will be the first year of an upward trend for U.S. agricultural exports as we begin to recapture the markets we lost in the past six years.

Mrs. SMITH. Will the FAS do everything possible to aggressively pursue new markets?

Mr. KAY. FAS will continue to aggressively pursue new agricultural export markets within the limitations of its budget. These efforts will include opening a new Agricultural Trade Office—ATO—in Japan, the largest of our commercial export markets and the continued maintenance of the other existing 14 ATO's worldwide. We will continue export development support, at a reduced level, for the products promoted by 47 cooperators, four state regional groups, and 12 Export Incentive Program—EIP—contractors. We continue to be a member of, and the major contributor to, the International Institute for Cotton—IIC—and will fully support the third National Food and Agricultural Exhibition sponsored by the National Association of State Departments of Agriculture—NASDA. Our Agricultural Counselors, Attaches and ATO's will also be conducting promotional activities, but on a somewhat smaller scale. We also plan to intensify promotional efforts for high-value products.

COOPERATOR PROGRAM

Mrs. **Smith**. Tremendous concern has been shown for the FAS Cooperator Program. What does the future hold for this extremely important program for market development?

Mr. **Kay**. The Department considers this program to be very effective and appreciates the support that the House has historically shown for these efforts. Funding availability will dictate the level at which funding in the future can be provided for the cooperator program.

PROCESSED FOOD PRODUCTS

Mrs. **Smith**. You mention in your testimony that the U.S. has not fully participated in the trade area of processed food and agricultural products. What can we do to turn this around?

Mr. **Kay**. The first step is to dedicate a special unit to service the U.S. exports and foreign market development of processed food products. We have, in the past, provided some services for processed food products. We, and our industry cooperators, have devoted substantial efforts over the last 30 years to develop and service foreign markets for U.S. agricultural products. We are now looking at setting up a Processed Foods Division, similar in structure to our basic commodity divisions, to provide the support and guidance needed by the U.S. processed foods industries to expand their exports.

SUBSIDIZED AGRICULTURAL PRODUCTS

Mrs. **Smith**. Is there any action that the FAS can take against the importation of subsidized agricultural products from foreign countries?

Mr. **Kay**. FAS can recommend action in some cases. FAS has no independent authority in this area. The normal recourse against subsidized imports is countervailing duties. FAS has no role in that case. The party seeking countervailing duties petitions the Department of Commerce. If Commerce finds that the imports in question are subsidized, and—in the case of imports from countries who are members of the GATT Subsidies Code—if the International Trade Commission finds that U.S. producers are injured by these imports, countervailing duties are applied at once. In the case of quota cheeses, the countervailing duty statute does not apply. Instead, Commerce determines quarterly the amount of any subsidy, and if it is alleged that imports are undercutting U.S. prices, FAS, on behalf of the Secretary, investigates and notifies the U.S. Trade Representative, who in turn notifies the foreign government to prevent the undercutting within 15 days. Otherwise the President has a week in which to set an offsetting duty or restrict imports, or decide to extend the investigation for another week. In the latter case the President is still required to act unless the further investigation shows the undercutting is not taking place. FAS also participates in USDA recommendations to restrict imports that interfere with price support programs, whether or not subsidies are involved.

Mrs. **Smith**. Mr. Chairman.

Mr. **Whitten**. Mr. Watkins.

CARGO PREFERENCE

Mr. WATKINS. The 1985 Farm Bill said the Transportation Department would have to fund an increase in cargo preference on P.L. 480 shipments to 60 percent in 1986 and 75 percent in 1987, up from 50 percent, saying if Transportation would not fund the increase, it would return to 50 percent. Under the FY 1987 budget there are no funds proposed to pay for increased cargo preference requirements. Do you view this as a threat to other USDA export programs?

Mr. KAY. No, we do not. The Administration's position is that the cargo preference laws do not apply to export programs of the Department which are intended to meet commercial competition, often subsidized, on world markets. We believe we can administer needed commercial export programs without the specific exemptions contained in the cargo preference provisions of the 1985 Food Security Act. The Administration has announced its intention to seek repeal of these provisions.

Mr. WATKINS. Could this not in fact remove the cargo preference exemption from other programs including export bonus, blended credit, and GSM-102 export credit guarantees?

Mr. KAY. The situation regarding the exemption of the Export Enhancement, and GSM-102 Programs from cargo preference is not clear, at this time. If funds are not made available by the Department of Transportation, court tests regarding the relationships of these programs to cargo preference may occur. We are confident that the intent of Congress would be proved to be that cargo preference does not apply to commercial programs.

Mr. WATKINS. Specifically, how will lack of funding from the Transportation Department for the increase affect USDA and other export programs?

Mr. KAY. The situation with the Department of Transportation will cause a lack of adequate funds for increased freight costs so that any additional requirements to meet added cargo preference costs will reduce P.L. 480 program funds for commodity allocations from the unallocated reserve, in the range of $10-$14 million this year for the Title I/III program alone. The impact on other programs is not yet clear.

COOPERATOR PROGRAM

Mr. WATKINS. Another matter of great concern is the FAS proposal to cut the Market Development Cooperator Program by 50 percent. Correct me if I am wrong, but has not this administration pushed and in fact accomplished their goal of passing a market-oriented farm bill in the Congress this last session?

Mr. KAY. This Administration fully supports the market-oriented philosophy of the recently passed Farm Bill which contains many provisions which will be very effective in increasing U.S. agricultural exports.

Mr. WATKINS. If we are to develop and increase our markets, we must stimulate interest in the international marketplace. We can't just expect them to come to us to make purchases. Do you agree?

Mr. KAY. Yes, in addition to enabling us to become more competitive, the Farm Bill has provided us with additional mechanisms which will allow us to become more aggressive in our efforts to become more competitive by targeting certain marketing initiatives.

Mr. **Watkins**. Then why are you proposing to cut in half the very program that could attain that market development?

Mr. **Kay**. This Administration's commitment to reduce the Federal deficit along with a policy of increased privatization of certain industry-related services are resulting in significant reductions for several of the Department's activities including the cooperator foreign market development program. In order to meet the requirement of the Gramm-Rudman-Hollings Legislation, this Administration has had to make adjustments which will require a greater burden to be placed on the private sector. We recognize, however, that the cooperator program has been very successful and needs to be continued. We hope larger private sector contributions will be forthcoming to maintain the momentum achieved over the years.

Mr. **Watkins**. Many of the commodity groups that supported your market oriented farm bill, are asking where their friends are at USDA, now that it has come time to pay the piper for market development. Do you feel USDA is betraying a trust with the people who helped implement a bill with this philosophy?

Is this another tactic by the administration to back up from a philosophy they have held all along? Just this week, former Budget Director David Stockman's book is telling all about a budget that was passed with mirrors and false hope but yet promised no substance in the end. Is this what has happened with the passage of the 1985 Farm Bill? Is the administration saying market orientation won't work?

I would encourage my fellow colleagues to restore this funding that is crucial to international marketing of commodities.

Mr. **Kay**. While the Department is totally committed to the market-oriented agricultural philosophy embodied in the new Farm Bill, we are nevertheless obliged by the current budget deficit to reduce Government outlays. In the case of the market development program, this Administration is convinced that the private sector's confidence in the program and its successful track record will prompt an increased commitment of private industry and producer resources sufficient to offset the necessary reduction in Federal funding.

EXPORT ENHANCEMENT PROGRAM

Mr. **Watkins**. Another issue of critical importance is the lack of grain storage in our state. I'm sure other states are suffering a similar problem. Frankly, we must move last year's crop if we are to have storage for the crop that is now only about a month away from harvest. What are you doing to increase exports and relieve the storage capacity of grain facilities?

Mr. **Kay**. The USDA has recently announced a number of initiatives under the Export Enhancement Program which are designed to offset the effects of unfair export subsidies and to expand the demand for U.S. wheat. Some of these programs are to countries who traditionally buy the types of wheat produced in Oklahoma. We hope that exports under these initiatives will relieve some of the pressure on storage in a number of states, including Oklahoma. In addition, the Commodity Credit Corporation has announced that it will consider requests for approval of emergency or temporary grain storage in order to permit grain warehouses to better plan and manage their grain storage operations.

EXPORT ENHANCEMENT PROGRAM

Mr. WATKINS. How many countries have participated in the Export Enhancement Program?

Mr. KAY. As of April 18, 1986, announcements have been made covering 15 participating countries.

Mr. WATKINS. Why haven't more countries participated?

Mr. KAY. The Export Enhancement Program is a complex program that takes time to develop on an individual country basis, in order to educate buyers on the technical details of the program, and incorporate the program into their purchasing plans.

Mr. WATKINS. What are some of the strengths of the program?

Mr. KAY. The main strengths of the program are: the lowering of the prices of our commodities to world price levels, thus restoring competitiveness, and providing a tool to open markets previously closed by the export subsidies and practices of other exporting countries.

Mr. WATKINS. What are some of the problems that need to be corrected in order to attract more country participation.

Mr. KAY. A major challenge in using a complex program like this is to educate the buyer, i.e. the importing country, so that he can take advantage of the program benefits in a timely manner.

Mr. WATKINS. Mr. Chairman.

Mr. WHITTEN. Because of a problem with time we will ask the General Sales Manager to submit his testimony for the record.

[CLERK'S NOTE.—The full text of Mr. Sim's testimony appears on pages 545 through pages 553. The explanatory notes for the General Sales Manager appear on pages 554 through 582.]

FOOD SECURITY ACT

Mr. WHITTEN. The recently enacted 1985 Food Security Act provides for $5 billion annually in short-term export credit, not less than $325 million annually in cash or surplus commodities for direct export credits, and at least $500 million annually for intermediate loan guarantees. When do you expect to have these programs in place and operational?

Mr. SIMS. The $5 billion short-term credit guarantee program will be a continuation of the GSM-102 Export Credit Program, and has been operational since 1981. The targeted export assistance program is now authorized to operate at a level of $110 million in each of fiscal years 1986, 1987, and 1988, with the $325 million level to become operational in fiscal years 1988 and 1989. A number of proposals amounting to some $27 million have already been approved under the targeted export assistance program, to support market expansion activities in selected countries overseas. Regulations covering the $500 million intermediate loan guarantee program will be published in the Federal Register soon, and after comments are received and evaluated, the final rule will be published—at that time the program will become operational.

Mr. WHITTEN. To what extent do you expect to implement the expanded agricultural export credit assistance that is provided under the Food Security Act of 1985?

Mr. SIMS. Mr. Chairman, we expect to implement all applicable provisions of the Food Security Act of 1985 to the fullest extent possible.

Mr. WHITTEN. Will the credit program provided by the Food Security Act place us in a position to fully match credit terms offered by our competitors?

Mr. SIMS. We expect that the Act's credit programs, together with accompanying revisions in the domestic support programs, should permit us to be substantially competitive with most other exporters' current programs.

EXPORT SALES CREDIT GUARANTEE PROGRAM

Mr. WHITTEN. In fiscal year 1985 approximately $2 billion of the $4.5 billion CCC export sales credit guarantee program remained unused. Why were these funds not used?

Mr. SIMS. There were two principal reasons the guarantees announced were not used to their fullest: price, and foreign exchange relationships. Our experience in fiscal year 1985 was that even the availability of credit guarantees was insufficient to offset the lack of price competitiveness U.S. commodities suffered as a result of both domestic price support programs and of the relative strength of the dollar. We hope both of those conditions will be reversed in the course of the next year to 18 months.

EXPORT CREDIT PROGRAMS

Mr. WHITTEN. What documentation exists that will clearly show that CCC export credit programs result in expanded U.S. exports rather than being a substitute for other credit arrangements?

Mr. SIMS. We have initiated internal studies to examine the additionality aspects of GSM-102, with what we feel are positive results. It is unlikely any study can prove additionality with 100 percent certainty in all cases, but it is obvious that our Export Enhancement Program is creating new sales in the Middle East, and that the other credit programs are helping to maintain sales for U.S. exports in other areas of the world such as Latin America, where the credit makes a difference to the buyer.

Mr. WHITTEN. How do you assure that an individual transaction is not just a substitution of credit and, in fact, generates a sale that would not otherwise be made?

Mr. SIMS. Under the Export Enhancement Program we ensure against substitution of the program for U.S. cash sales by targeting markets of competitors which are subsidizing their exports. In the other credit programs we cannot ensure that cash sales are never displaced, but in many of those markets it is obvious that the credit makes the difference in the total amount an importer may be able to buy. In other words, by permitting some substitution of credit for cash sales we hold the market for ourselves, and end up with a larger overall export quantity than we would have managed solely on the basis of cash sales.

GUARANTEED LOANS

Mr. WHITTEN. Of the guaranteed loans now outstanding, how many countries are behind in their repayments and by what amounts?

Mr. SIMS. To date, twelve countries have been involved in reschdulings or non-payment status causing outlays from CCC totaling more than $1.9 billion. Much of this amount is related to debt reschedulings worked out at the Paris Club and will eventually be repaid to CCC with interest.

Mr. WHITTEN. How much has CCC had to pay out, by country, on loans that are behind schedule?

Mr. SIMS. Twelve countries have either had reschedulings or claims resulting in outlays. I will submit the specific amounts for the record.

[The information follows:]

Brazil	$219,109,000
Chile	47,686,000
Dominican Republic	118,285,000
Jamaica	53,736,000
Morocco	160,243,000
Nigeria	1,496,000
Panama	1,214,000
Peru	186,457,000
Philippines	29,101,000
Poland	1,011,718,000
Romania	34,455,000
Sudan	54,203,000
Total	1,917,702,000

Mr. WHITTEN. How much of the loan is actually guaranteed by the Federal Government and is this amount the same in all cases?

Mr. SIMS. During FY 1986, our guarantee coverage for the Export Credit Guarantee Program GSM-102 has been 98 percent of the principal and 6 percent per annum of interest on the guaranteed portion of the principal. The GSM-102 program regulations require that interest coverage not exceed the 52 week Treasury Bill bond equivalent interest rate. In FY 1981 for Poland and again in FY 1983 for Mexico, principal coverage of 100 percent was provided in keeping with the provisions of the regulations; however, in the Polish case, under the Non-Commercial Risk Assurance Program GSM-101, interest coverage was set at six percent per annum while in the FY 1983 Mexico GSM-102 case, interest coverage was set at the maximum rate permitted by the program regulations.

TRAVEL

Mr. WHITTEN. Would you please list for the record all overseas travel by employees of the Office of the General Sales Manager that occurred during calendar year 1985, including a description of the purpose of each trip and the place visited?

[The information follows:]

GSM85TRVLIST
4-21-86

GENERAL SALES MANAGER LIST OF OVERSEAS TRAVEL
CALENDAR YEAR 1985

NAME	DATE OF TRAVEL	PLACE VISITED	PURPOSE OF TRIP
SIMS, KELVIN	JANUARY 5-18	TURKEY; IRAQ; SPAIN	TO ATTEND OFFICIAL OPENING OF THE U.S. FEED GRAINS COUNCIL REGIONAL OFFICE; TO REVIEW COOPERATORS' FY 85 MARKET PLAN ACTIVITIES WITH MINISTRY OF AGRICULTURE OFFICIALS; TO DISCUSS FY 85 GSM-102 PROGRAM AND THE FEASIBILITY OF OPENING AN ATO IN BAGDAD.
STERN, WALTER	JANUARY 8-30	TURKEY; PAKISTAN; INDIA; MALDIVES; SRI LANKA; THAILAND; PHILIPPINES	TO ACCOMPANY FAS MARKET DEVELOPMENT TEAM TO REVIEW OPERATIONS AND EVALUATE GSM-102 PROGRAM; TO ACCOMPANY RAISIN TEAM AND REVIEW P.L. 480 AND GSM-102 PROGRAMS; TO OBTAIN ADDITIONAL INFORMATION ON PROPOSED P.L. 480 PROGRAMS FOR TOBACCO, COTTON AND RAISINS.
POPE, GEORGE	JAN 21-FEB 6	ITALY; KENYA; LIBERIA; IVORY COAST; NIGERIA	TO DISCUSS P.L. 480, TITLE I, AND OTHER EXPORT CREDIT PROGRAMS WITH COOPERATOR OFFICIALS AND PRIVATE TRADE.
TOSI, GINO	FEB. 4-20	GUATEMALA; HONDURAS; EL SALVADOR; COSTA RICA; JAMAICA	TO REVIEW STATUS AND OPERATIONAL DETAILS ON P.L. 480 AND GSM-102 WITH GOVERNMENT OFFICIALS, EXPORTERS, AND U.S. EMBASSY PERSONNEL. TO OBTAIN INFORMATION FOR FAS/EC REGARDING COMMODITY DISTRIBUTION, MARKETING, STORAGE, PORT FACILITIES AND FY 86 PROGRAM NEEDS.
POWER, JACK	MARCH 23-30	KOREA	TO COLLECT INFORMATION AND MEET WITH KOREAN OFFICIALS AND REPRESENTATIVES OF THE MINSTRY OF FINANCE.

OFFSET
CAMERA COPY

MENDOZA, NICOLE	APRIL 19-MAY 12	FRANCE; ZAIRE; KENYA; TUNISIA	TO CONSULT WITH AGRICULTURAL ATTACHES/COUNSELORS, U.S. GOVERNMENT PERSONNEL AND APPROPRIATE HOST GOVERNMENT AND PRIVATE SECTOR OFFICIALS. OBTAIN PRACTICAL WORKING KNOWLEDGE OF NEEDS/PROBLEMS IN DEVELOPING TITLE I, P.L. 480 SALES AGREEMENTS. GATHER INFORMATION RELATING TO COMMODITY DISTRIBUTION, STORAGE, AND ANALYZE MARKET DEVELOPMENT POTENTIAL THROUGH THE USE OF GSM-102 CREDIT GUARANTEES.
HASLACH, PATRICIA	APRIL 12-MAY 1	FRANCE; IVORY COAST; NIGER	TO ATTEND AFRICA FOOD FOR PEACE CONFERENCE. TO OBTAIN INFORMATION ON P.L. 480 TITLE II PROGRAMS, COMMODITY DISTRIBUTION, STORAGE, MARKETING AND AGRICULTURAL DEVELOPMENT ACTIVITIES, AND VISIT PORT FACILITIES.
POPE, GEORGE	APRIL 10-19	BRAZIL; CHILE; PERU	TO MEET WITH HOST GOVERNMENT OFFICIALS AND PRIVATE TRADE TO DISCUSS COMMODITY IMPORTS SITUATION AND USDA'S EXPORT PROGRAMS.
SIMS, MELVIN	APRIL 18-MAY 6	SAUDI ARABIA; EGYPT; KOREA, JAPAN	TO ACCOMPANY A DEPT. OF COMMERCE TRADE MISSION TEAM AS THE AGRICULTURAL REPRESENTATIVE AND TO DISCUSS EXPORT CREDITS. TO MEET WITH COOPERATORS, STATE OFFICIALS, AND IMPORTERS TO DISCUSS MARKET DEVELOPMENT PROGRAMS AND ISSUES. TO DISCUSS ATO MARKET DEVELOPMENT ACTIVITIES AND THE RESULTS OF THE BUTTEROIL EXPERIMENT.
KUNKEL, DAVID	MAY 4- 25	FRANCE; YEMEN ARAB REPUBLIC; TURKEY	TO PARTICIPATE AS A MEMBER OF THE U.S. DELEGATION AT AID CONSULTATIVE GROUP MEETINGS. TO REVIEW OPERATIONS OF GSM-102 PROGRAMS, TO DISCUSS PROSPECTS OF TITLE I AND EXPORT CREDIT PROGRAMS WITH IMPORTERS, BANKERS, AND OTHERS AS APPROPRIATE.
RANDOLPH, WILLIAM	APRIL 16-26	MEXICO; SPAIN; PORTUGAL	TO NEGOTIATE SALES OF DAIRY PRODUCTS.
SIMS, MELVIN	MAY 18-24	ITALY	TO SERVE AS A U.S. DELEGATE AND TO PARTICIPATE IN THE CFA INTERNATIONAL FOOD CONFERENCE (WFP).
KEEFER, JAMES	MAY 18- JUNE 8	ITALY	ADVISOR TO U.S. DELEGATION TO WFP/CFA MEETING, AND RELATED ACTIVITIES.
MCELVAIN, LAWRENCE	MAY 18- 23	FRANCE	TO PARTICIPATE IN THE DOMINICAN REPUBLIC DEBT RESCHEDULING INVOLVING CCC GUARANTEE DEBTS.

HOLSINGER, VIRGINIA	JULY 8- 11	MEXICO	TO CONDUCT TESTS ON DAIRY PRODUCTS.
POPE, GEORGE	JUNE 7- 14	ALGERIA; FRANCE	TO DISCUSS IMPLEMENTATION OF THE EXPORT ENHANCEMENT PROGRAM WITH GOVERNMENT OFFICIALS.
MCELVAIN, LAWRENCE	JUNE 7- 14	ALGERIA; FRANCE	TO DISCUSS IMPLEMENTATION OF THE EXPORT ENHANCEMENT PROGRAM WITH GOVERNMENT OFFICIALS.
SIMS, MELVIN	JUNE 30- JULY 5	FRANCE; TUNISIA	TO DISCUSS EXPORT SALES POSSIBILITIES.
SIMS, MELVIN	JULY 8 - 12	EGYPT	TO DISCUSS EXPORT SALES POSSIBILITIES.
POPE, GEORGE	AUGUST 11-21	DOMINICAN REPUBLIC; MEXICO	TO MEET WITH FOREIGN GOVERNMENT OFFICIALS AND PRIVATE TRADE ENTITIES TO DISCUSS PROSPECTS FOR EXPORT CREDIT PROGRAMS.
STERN, WALTER	SEPT 19- OCT 4	IRAQ; GERMANY; ALGERIA	TO ACCOMPANY U.S. DEPT. OF COMMERCE TRADE MISSION TEAM AND TO DISCUSS THE FY 85/86 CREDIT PROGRAMS WITH APPROPRIATE GOVERNMENT OFFICIALS. TO FOLLOW-UP ON THE EXPORT ENHANCEMENT PROGRAM AND MARKET DEVELOPMENT ACTIVITIES.
FUELL, LAWRENCE	AUG. 19- 23	GUATEMALA	TO NEGOTIATE SALE OF CCC-OWNED DAIRY PRODUCTS.
SIMS, MELVIN	SEPT. 16-26	IRAQ; ALGERIA	TO ACCOMPANY U.S. DEPT. OF COMMERCE TRADE MISSION TEAM AND TO DISCUSS THE FY 85/86 CREDIT PROGRAMS WITH APPROPRIATE GOVERNMENT OFFICIALS. TO FOLLOW-UP ON THE EXPORT ENHANCEMENT PROGRAM AND MARKET DEVELOPMENT ACTIVITIES.
POPE, GEORGE	AUG. 30-SEPT. 6	YEMEN; JORDAN	TO MEET WITH APPROPRIATE GOVERNMET OFFICIALS AND THE PRIVATE INDUSTRY ON THE EXPORT ENHANCEMENT PROGRAM, CREDIT AND MARKET DEVELOPMENT ACTIVITIES.
WHITEMAN, GLENN	SEPT 8-20	YUGOSLAVIA; MOROCCO; PORTUGAL	TO DISCUSS GSM-102 AND P.L. 480 TITLE I PROGRAMS, THE ARREARAGE PROBLEM AFFECTING CCC COMMERCIAL PROGRAM. TO BRIEF U.S. WHEAT REGIONAL CONFERENCE ON GSM CREDIT PROGRAMS.

REYNOLDS, KERRY	SEPT. 14-17	BRAZIL		TO CONSULT WITH BRAZILIAN WHEAT BOARD AND FOREIGN MINISTRY AND FINANCE OFFICIALS REGARDING BRAZIL'S WHEAT NEEDS, CREDIT NEEDS AND BUYING PRACTICES.
CONABLE, DANIEL	SEPT. 9-12	KOREA		TO ATTEND THE KOREAN CREDIT CONSULTATIONS
KEEFER, JAMES	SEPT 28-OCT 15	ITALY	**PD STATE	ADVISOR TO U.S. DELEGATION TO WFP/CFA MEETING, AND RELATED ACTIVITIES.
MCNEILL, GEORGE	SEPT 17-25	PHILIPPINES		TO OBSERVE DISCHARGE OF P.L. 480 RICE AND REPORT ON ADEQUACY OF PHILIPPINE DISCHARGING AND DISTRIBUTION SYSTEM.
WHITEMAN, GLENN	OCT 25- 22	MOROCCO; ENGLAND		TO DISCUSS RECENTLY ANNOUNCED EXPORT ENHANCEMENT PROGRAM; TO ATTEND FOOD AID CONVENTION MEETING.
RANDOLPH, WILLIAM	OCT 22- 18	ALGERIA; MOROCCO		TO DISCUSS THE EXPORT ENHANCEMENT PROGRAM WITH APPROPRIATE OFFICIALS.
KEEFER, JAMES	OCT 17-18	CANADA		PARTICIPATE IN US/CANADIAN CONSULTATIONS ON INTERNATIONAL ORGANIZATION, INCLUDING THE WORLD FOOD PROGRAM.
SIMS, MELVIN	NOV 2-6	YEMEN		TO CONSULT WITH GOVERNMENT OFFICIALS ON THE EXPORT ENHANCEMENT PROGRAM.
POPE, GEORGE	NOV 29- DEC 14	INDONESIA; INDIA; PAKISTAN		TO ATTEND THE FAR EAST & SOUTH ASIA AGRICULTURAL CONFERENCE. TO CONSULT WITH APPROPRIATE GVERNMENT AND PRIVATE SECTOR OFFICIALS CONCERNING USDA'S PROGRAMS.
POPE, GEORGE	NOV 11-15	IRAQ		TO PARTICIPATE IN A RICE COUNCIL SEMINAR AND TO MEET WITH GOVERNMENT OFFICIALS ON EXPORT CREDITS.
MCELVAIN, LAWRENCE	NOV 20-23	MEXICO		TO DISCUSS CREDIT GUARANTEE AVAILABILITY AND OPERATIONS OF THE CREDIT GUARANTEE PROGRAM . TO ATTEND USDA-CONASUPO TRANSPORTATION GROUP PLENARY SESSION.
WHITEMAN, GLENN	DEC 11-14	ENGLAND		TO ATTEND FOOD AID CONVENTION MEETING.

P.L. 480 TITLE I

Mr. WHITTEN. Would you please provide for the record all Title I agreements that were signed during fiscal year 1985, including the country, the commodity, and the dollar amount?

[The information follows:]

TABLE V - PUBLIC LAW 480, TITLE I/III FISCAL YEAR 1985 AGREEMENTS SIGNED
OCTOBER 1, 1984 THROUGH SEPTEMBER 30, 1985
(ALL DATA IN THOUSANDS)

COUNTRY	TOTAL EXPORT MARKET VALUE	WHEAT/WHEAT FLOUR QUANTITY	WHEAT/WHEAT FLOUR VALUE	RICE QUANTITY	RICE VALUE	FEEDGRAINS QUANTITY	FEEDGRAINS VALUE	VEGETABLE OIL QUANTITY	VEGETABLE OIL VALUE	TALLOW QUANTITY	TALLOW VALUE	COTTON QUANTITY	COTTON VALUE
	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	BALES	DOLLARS
BANGLADESH	94,500 1/	356.0	54,500.0	67.0	20,000.0	0.0	0.0	12.5	10,000.0	0.0	0.0	28.5	10,000.0
BOLIVIA	20,000	140.0	20,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
COSTA RICA	21,400	115.0	18,400.0	0.0	0.0	24.0	3,000.0	0.0	0.0	0.0	0.0	0.0	0.0
DOMINICAN RE.	40,500	90.0	13,000.0	22.0	7,000.0	0.0	0.0	25.0	20,500.0	0.0	0.0	0.0	0.0
ECUADOR	15,000	90.0	15,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EGYPT	225,000	1,448.1 2/	225,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EL SALVADOR	49,000	137.5	22,000.0	0.0	0.0	0.0	0.0	17.5	12,000.0	30.5	15,000.0	0.0	0.0
GHANA	9,000	0.0	0.0	10.0	3,000.0	0.0	0.0	0.0	0.0	0.0	0.0	17.9	6,000.0
GUATEMALA	21,000	56.0	9,000.0	0.0	0.0	0.0	0.0	6.0	5,000.0	13.0	7,000.0	0.0	0.0
GUINEA	6,000	0.0	0.0	21.4	6,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HAITI	15,000 1/	76.0	12,000.0	0.0	0.0	0.0	0.0	4.3	3,000.0	0.0	0.0	0.0	0.0
HONDURAS	12,500	77.0	12,500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HONDURAS	2,500 1/	15.0	2,500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INDONESIA	40,000	250.0	40,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
JAMAICA	40,000	81.5	13,000.0	33.0	10,000.0	89.0	12,500.0	5.3	4,500.0	0.0	0.0	0.0	0.0
KENYA	10,000	66.0	10,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LIBERIA	6,000	0.0	0.0	18.0	6,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MADAGASCAR	11,000	0.0	0.0	39.0	11,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MALDIVES	1,500	6.7	1,000.0	0.0	0.0	0.0	0.0	0.5	500.0	0.0	0.0	0.0	0.0
MOROCCO	55,000	367.0	50,000.0	18.0	5,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MOZAMBIQUE	17,000	32.0	5,000.0	34.0	9,500.0	20.5	2,500.0	0.0	0.0	0.0	0.0	0.0	0.0
PAKISTAN	59,000	0.0	0.0	0.0	0.0	0.0	0.0	88.1	59,000.0	0.0	0.0	0.0	0.0
PERU	25,000	116.0	17,000.0	0.0	0.0	0.0	0.0	11.6	8,000.0	0.0	0.0	0.0	0.0

TABLE V- PUBLIC LAW 480, TITLE I/III FISCAL YEAR 1985 AGREEMENTS SIGNED
OCTOBER 1, 1984 THROUGH SEPTEMBER 30, 1985
(ALL DATA IN THOUSANDS)

COUNTRY	TOTAL EXPORT MARKET VALUE	WHEAT/WHEAT FLOUR QUANTITY	WHEAT/WHEAT FLOUR VALUE	RICE QUANTITY	RICE VALUE	FEEDGRAINS QUANTITY	FEEDGRAINS VALUE	VEGETABLE OIL QUANTITY	VEGETABLE OIL VALUE	TALLOW QUANTITY	TALLOW VALUE	COTTON QUANTITY	COTTON VALUE
	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	METRIC TONS	DOLLARS	BALES	DOLLARS
PHILIPPINES	40,000	0.0	0.0	138.0	40,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SIERRA LEONE	4,000	12.5	2,000.0	6.9	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SOMALIA	20,000	30.6 3/	5,000.0	17.9	5,000.0	17.2	2,000.0	9.0	8,000.0	0.0	0.0	0.0	0.0
SRI LANKA	26,000	163.0	26,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SUDAN	64,500	420.0 4/	64,500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TUNISIA	5,000	0.0	0.0	0.0	0.0	43.0	5,000.0	0.0	0.0	0.0	0.0	0.0	0.0
YEMEN	12,000	29.0	4,000.0	20.0	8,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ZAIRE	20,000	86.8	13,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.1	7,000.0
ZAMBIA	10,000	35.0	5,000.0	0.0	0.0	0.0	0.0	7.3	5,000.0	0.0	0.0	0.0	0.0
ZIMBABWE	8,000	50.0	8,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,005,400	4,346.7	667,400.0	445.2	132,500.0	193.7	25,000.0	187.1	135,500.0	43.5	22,000.0	67.5	23,000.0

1/ All Title III, Food for Development Program.
2/ Includes 484,120 MT W/E of 364,000 MT of flour.
3/ Includes 17,290 MT W/E of 13,000 MT of flour.
4/ Includes 79,401 MT W/E of 59,700 MT of flour.

SOURCE: Program Development Division FAS/Export Credits

P.L. 480 TITLE I

Mr. WHITTEN. Would you please provide for the record the tentative allocations by country under Title I for fiscal year 1986?

[The information follows:]

March 31, 1986

Revised FY 1985 Public Law 480 Title I/III
Country and Commodity Allocations

Country	$Mil. Total	Undesig- nated ($Mil.)	Wheat/ Flour	Rice	Feed grains	Vegoil	Total Food	Tallow	Cotton
			(---------1,000 Metric tons(grain				equivalent)/	--1,000	bales)
$790 or Less Per Capita GNP									
Bangladesh	70.0	-	300	35	-	16	359	-	33
Bolivia	20.0	-	140	-	-	-	140	-	-
Egypt	213.0	-	1,557 a/	-	-	-	1,557	-	-
El Salvador	46.0	10.0	148	-	-	13	161	16	-
Ghana	8.0	-	-	7	-	-	7	-	18
Guinea	6.0	-	-	20	-	-	20	-	-
Haiti	18.0	3.0	66	-	-	11	77	-	-
Honduras	15.0	-	86	-	-	-	86	5	-
Indonesia	30.0	-	220	-	-	-	220	-	-
Kenya	10.0	-	55	11	-	-	66	-	-
Liberia	11.0	-	-	34	-	-	34	-	-
Madsgascar	8.0	-	-	14	-	6	20	-	-
Morocco	40.0	-	292	-	-	-	292	-	-
Mozambique	7.9	-	20	10	20	-	50	-	-
Pakistan	50.0	-	-	-	-	96	96	-	-
Philippines	35.0	-	66	38	56	-	160	-	32
Senegal	5.5	-	-	18	-	-	18	-	-
Sierra Leone	4.0	-	13	7	-	-	20	-	-
Somalia	16.5	-	27 a/	17	-	12	56	-	-
Sri Lanka	26.0	-	193	-	-	-	193	-	-
Sudan	45.0	-	314 a/	-	-	-	314	-	-
Yemen	5.0	-	-	13	-	-	13	-	-
Zaire	20.0	-	100	-	-	-	100	-	22
Zambia	10.0	-	37	-	-	7	44	-	-
Subtotal	719.9	13.0	3,642	224	76	161	4,103 (86%)	21	105

(continued)

Country	$Mil. Total	Undesig-nated	Wheat/ Flour	Rice	Feed grains	Vegoil	Total Food	Tallow	Cotton
		($Mil.)	(----------	1,000	Metric tons	(grain	equivalent)/	--1,000	bales)
Over $790 Per Capita GNP									
Costa Rica	23.0	3.0	120	-	10	-	130	-	-
Dominican Republic	30.0	-	72	32	-	10	114	-	-
Ecuador	5.0	-	35	-	-	-	35	-	-
Guatemala	14.0	-	92	-	-	-	92	-	-
Jamaica	30.0	-	83	22	73	2	180	-	-
Peru	20.0	-	100	-	-	15	115	-	-
Tunisia	2.5	-	-	-	22	-	22	-	-
Subtotal	124.5	3.0	502	54	105	27	688 (14%)	-	-
Allocated	844.4	16.0	4,144	278	181	188	4,791	21	105
Unallocated Reserve	43.9	-	-	-	-	-	-	-	-
Total Commodity Program	888.3	-	-	-	-	-	-	-	-

a/ Wheat equivalent of flour or contains some portion of wheat equivalent of flour.

P.L. 480 TITLE III

Mr. **Whitten**. During calendar year 1985, what title III agreements were signed, by country, and in what dollar amounts? What did the agreements provide for?

Mr. **Sims**. In calendar year 1985, we signed title III agreements or amendments to agreements with three countries, Bangladesh, $72.5 million, Haiti, $15.0 million, and Honduras, $2.5 million. The Bangladesh amendment was part of an ongoing program to accelerate agricultural production through price stabilization to farmers, reductions in consumer subsidies, promotion of private marketing and processing of food grains and edible oils, and support for specific agricultural and rural development programs. The Haitian agreement was a new title III program aimed at improving agricultural development in Haiti through a diversified program of support for projects in agricultural production, rural health, and transportation. The Honduran amendment supported activities of the Honduran Agricultural Research Foundation.

Mr. **Whitten**. What title III agreements are currently being negotiated, by country, and for what purpose?

Mr. **Sims**. We recently signed a new title III agreement with Bolivia to use $20 million in wheat financing to support agricultural credit and producer associations, agricultural production, research, and extension, health and nutrition projects, and to improve government policies and services in rural areas. We are also negotiating the second year of the Haitian agreement described earlier.

P.L. 480 TITLE III

Mr. **Whitten**. Would you please provide for the record a listing of all Title III agreements that have been signed, by country, since the inception of the program?

[The information follows:]

PUBLIC LAW 480 TITLE III QUANTITY AND VALUE BY COUNTRY OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED FROM FISCAL YEAR 1978–1985

[Dollars in millions]

Country	Commodity	Quantity 1,000 mt	Value
FY 1978:			
Bangladesh	Wheat	200	$26
Bolivia	do	85	10.8
Total			36.8
FY 1979:			
Bangladesh	do	400	56
Bolivia	do	89	12
Egypt	do	105	15
Honduras	do	15	2
Total			85
FY 1980:			
Bangladesh	do	342	68.0
Bolivia	do	95	17.3
Egypt	do	90	15
Honduras	do	12	2

PUBLIC LAW 480 TITLE III QUANTITY AND VALUE BY COUNTRY OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED FROM FISCAL YEAR 1978–1985—Continued

[Dollars in millions]

Country	Commodity	Quantity 1,000 mt	Value
Senegal	Rice	16	7
Sudan	Wheat	105	20.0
Total			129.3
FY 1981:			
Bangladesh	......do	200	35.5
Bangladesh	Soybean/cottonseed oil	26	15
Egypt	Wheat	90	15
Senegal	Rice	15	7
Sudan	Wheat	99	20
Total			92.5
FY 1982:			
Bangladesh	......do	175	25.9
Bangladesh	Rice	55	15.4
Bangladesh	Soybean/cottonseed oil	30	13.5
Bangladesh	Cotton	[1] 28	9.2
Bolivia	Wheat	63	10
Egypt	......do	100	15
Honduras	......do	29	5
Senegal	Rice	25	7
Sudan	Wheat	91	15
Sudan	Wheat flour	25	5
Total			121.0
FY 1983:			
Bangladesh	Wheat	190	10
Bangladesh	Rice	37	10
Bangladesh	Soybean/cottonseed oil	27	10.9
Bangladesh	Cotton	[1] 31	10.2
Bolivia	Wheat	145	23.6
Bolivia	Rice	29	8.8
Egypt	Wheat	94	15
Honduras	......do	34	5
Senegal	Sorghum	28	3.5
Senegal	Rice	11	3.5
Sudan	Wheat	107	16
Sudan	Wheat flour	20	4
Total			139.4
FY 1984:			
Bangladesh	Wheat	197	31
Bangladesh	Rice	59	18
Bangladesh	Soybean/cottonseed oil	12	9
Bangladesh	Cotton	[1] 26	10
Bolivia	Wheat	60	10
Sudan	......do	127	20
Total			98
FY 1985:			
Bangladesh	......do	356	54.5
Bangladesh	Rice	67	20
Bangladesh	Soybean/cottonseed oil	13	10
Bangladesh	Cotton	[1] 29	10
Haiti	Wheat	76	12
Haiti	Soybean/cottonseed oil	4	3

PUBLIC LAW 480 TITLE III QUANTITY AND VALUE BY COUNTRY OF COMMODITIES PROGRAMED UNDER AGREEMENTS SIGNED FROM FISCAL YEAR 1978–1985—Continued

[Dollars in millions]

Country	Commodity	Quantity 1,000 mt	Value
Honduras	Wheat	15	2.5
Total			112
Total title III commodities from FY 1978 1985.			814

[1] Bales.

TITLE III

Mr. WHITTEN. During calendar year 1985 were any title III agreements signed that dealt with electrification work?

Mr. SIMS. There were none of which we in the Department of Agriculture were aware. However, we are not directly involved in the administration of title III agreements at the field level, which is a function of the Agency for International Development.

Mr. WHITTEN. Were any agreements signed that provided for the construction of water or sewer systems?

Mr. SIMS. The agreement with Haiti is to provide $400,000 in financing for community water systems over the 3-year life of the agreement. No other agreements specifically provided for construction of water or sewer systems.

P.L. 480 TITLE II

Mr. WHITTEN. For Fiscal Year 1985, would you please provide for the record all Title II donations, by country and commodity?

[The information follows:]

REPORT OF TITLE II, P.L. 480 OPERATIONS

SECTION 8 - GOVERNMENT-TO-GOVERNMENT
VOLUNTARY AGENCY AND WORLD FOOD PROGRAM OPERATIONS
COUNTRY AND COMMODITY SUMMARY REPORT

FISCAL YEAR 1985 THROUGH SEPTEMBER 30, 1985

(ALL QUANTITIES AND AMOUNTS IN THOUSANDS)

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
ALGERIA			
CORN SOYA MILK	898	152	135
VEGETABLE OIL	220	110	108
	1,118	262	243
ANGOLA			
BEANS DRY EDIBLE	1,333	255	250
CORN SOYA MILK	7,996	1,150	1,130
CORNMEAL	8,917	938	919
S F SORGHUM GRITS	3,998	429	421
MILK DRIED	5,375	269	269
RICE MILLED	671	80	80
VEGETABLE OIL	3,002	1,369	1,350
	31,292	4,490	4,419
BANGLADESH			
VEGETABLE OIL	441	181	177
WHEAT	1,004,185	61,347	61,347
	1,004,626	61,528	61,524
BHUTAN			
BULGUR	1,100	123	120
	1,100	123	120
BOLIVIA			
BEANS DRY EDIBLE	476	123	120
BULGUR	12,809	1,349	1,328
CORN	315	21	21
CORNMEAL	496	46	45
MILK DRIED	11,505	681	681
OATS ROLLED	1,728	293	272

COUNTRY AND COMMODITY		SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
BOLIVIA	(CONTINUED)			
RICE MILLED		7,187	939	932
VEGETABLE OIL		6,027	2,609	2,502
WHEAT FLOUR		17,616	1,820	1,784
LENTILS-DRY		1,088	228	224
		59,247	8,109	7,907
BOTSWANA				
CORN SOYA MILK		43,283	6,316	6,220
CORN		13,239	908	898
CORNMEAL		1,147	108	109
GRAIN SORGHUM		48,200	2,834	2,834
VEGETABLE OIL		9,352	4,008	3,929
		115,221	14,174	13,990
BURUNDI				
CORN SOYA MILK		404	60	58
BULGUR		7,223	712	699
MILK DRIED		4,171	269	269
VEGETABLE OIL		2,470	1,139	1,109
WHEAT		14,240	1,098	1,098
WHEAT SOY MILK		2		
		28,510	3,278	3,233
KAMPUCHEA				
VEGETABLE OIL		1,763	612	796
		1,763	812	796
CAMEROON REPUBLIC				
BEANS DRY EDIBLE		1,610	437	428
RICE MILLED		16,415	1,970	1,970
VEGETABLE OIL		2,216	929	911
WHEAT SOY MILK		915	146	136
		21,156	3,482	3,445
CAPE VERDE ISLANDS				
BEANS DRY EDIBLE		4,404	938	920
CORN		9,692	648	648
MILK DRIED		685	34	34
RICE MILLED		1,257	166	165

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
CAPE VERDE ISLANDS (CONTINUED)			
VEGETABLE OIL	176	65	84
	16,214	1,871	1,651
CENTRAL AFRICAN EM			
CORNMEAL	2,191	284	275
MILK DRIED	331	17	17
VEGETABLE OIL	264	125	122
	2,786	426	414
CEYLON/SRI LANKA			
CORN SOYA MILK	11,396	1,644	1,656
MILK DRIED	3,440	172	172
VEGETABLE OIL	1,037	422	414
WHEAT	25,367	1,527	1,527
WHEAT FLOUR	8,799	873	867
	50,039	4,638	4,636
CHAD			
CORN SOYA MILK	15,578	2,414	2,309
CORN	5,512	369	369
CORNMEAL	7,851	908	898
GRAIN SORGHUM	57,268	3,078	3,078
S F SORGHUM GRITS	22,146	2,397	2,357
MILK DRIED	5,314	266	266
RICE MILLED	16,535	2,045	2,030
VEGETABLE OIL	12,805	5,932	5,813
WHEAT	5,450	396	398
	148,459	17,805	17,516
CLUSA-INDIA			
MILK DRIED	17,702	885	885
VEGETABLE OIL	21,163	8,976	8,800
	38,865	9,861	9,685
COMORO ISLANDS			
CORNMEAL	1,831	165	162
VEGETABLE OIL	18	9	8
	1,849	174	170
CONGO/BRAZZAVILLE			

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
CONGO/BRAZZAVILLE (CONTINUED)			
RICE MILLED	1,099	132	132
	1,099	132	132
COSTA RICA			
BEANS DRY EDIBLE	42	11	10
RICE MILLED	904	108	108
VEGETABLE OIL	179	76	77
WHEAT FLOUR	154	18	17
	1,279	213	212
BENIN			
CORNMEAL	4,186	447	447
GRAIN SORGHUM	3,974	282	282
MILK DRIED	2,093	118	118
VEGETABLE OIL	1,659	755	739
	11,912	1,602	1,586
REP OF DJIBOUTI			
CORN SOYA MILK	190	25	25
S F SORGHUM GRITS	440	43	40
RICE MILLED	1,027	136	134
VEGETABLE OIL	224	96	94
	1,881	300	293
DOMINICAN REPUBLIC			
CORN SOYA MILK	1,095	156	153
BULGUR	3,378	370	360
CORNMEAL	3,847	362	356
MILK DRIED	3,751	188	188
VEGETABLE OIL	644	292	287
WHEAT FLOUR	3,296	359	345
	16,211	1,727	1,689
ECUADOR			
MILK DRIED	503	25	25
OATS ROLLED	910	139	136
RICE MILLED	1,098	141	141
VEGETABLE OIL	331	147	144
PEAS-DRY	673	88	87

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
ECUADOR (CONTINUED)			
	3,515	540	533
EGYPT			
CORN SOYA MILK	13,975	2,123	2,078
BULGUR	7,381	774	756
MILK DRIED	31,305	1,773	1,773
VEGETABLE OIL	11,947	5,592	5,477
WHEAT	13,874	952	952
WHEAT FLOUR	10,730	1,111	1,089
RAISINS-DRIED	3,240	499	489
	92,452	12,814	12,612
EL SALVADOR			
BULGUR	4,210	434	424
BUTTER OIL	140	9	9
CORN	50,524	3,333	3,330
CORNMEAL	6,076	573	562
MILK DRIED	19,513	1,102	1,102
RICE MILLED	8,963	1,147	1,147
VEGETABLE OIL	7,923	3,610	3,542
WHEAT FLOUR	2,400	249	244
PEAS-DRY	1,343	180	176
	101,092	10,637	10,536
EQUATORIAL GUINEA			
CORNMEAL	88	8	8
MILK DRIED	530	27	27
RICE MILLED	795	98	98
VEGETABLE OIL	203	92	91
WHEAT FLOUR	1,299	135	132
	2,915	360	356
ETHIOPIA			
BEANS DRY EDIBLE	9,532	2,030	1,893
CORN SOYA MILK	60,629	9,298	8,755
BULGUR	106,276	10,675	10,477
GRAIN SORGHUM	10,517	630	630
S F SORGHUM GRITS	77,708	8,252	8,142
MILK DRIED	29,376	1,506	1,506

COUNTRY AND COMMODITY		SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
ETHIOPIA	(CONTINUED)			
RICE MILLED		913	116	116
VEGETABLE OIL		48,598	21,537	21,133
WHEAT		158,316	11,115	11,115
WHEAT FLOUR		22,097	2,363	2,312
		523,962	67,522	66,079
ETHIOPIAN REFUGEE				
BEANS DRY EDIBLE		11,726	2,589	2,537
CORN SOYA MILK		4,040	646	575
GRAIN SORGHUM		143,299	6,487	6,487
VEGETABLE OIL		9,545	4,442	4,352
WHEAT FLOUR		3,296	349	344
LENTILS-DRY		1,050	298	292
		172,956	14,811	14,587
GAMBIA				
MILK DRIED		1,790	90	90
RICE MILLED		15,189	2,031	2,031
VEGETABLE OIL		925	412	404
		17,904	2,533	2,525
GHANA				
BULGUR		18,042	1,901	1,867
S F SORGHUM GRITS		15,775	1,708	1,689
MILK DRIED		3,776	189	189
RICE MILLED		1,499	190	190
VEGETABLE OIL		8,854	3,905	3,829
WHEAT SOY MILK		12,829	2,020	1,887
		60,775	9,913	9,651
GUATEMALA				
BULGUR		7,786	838	821
CORN		10,292	672	672
CORNMEAL		8,130	801	784
MILK DRIED		13,011	651	651
VEGETABLE OIL		7,358	3,195	3,116
WHEAT FLOUR		10,959	1,139	1,114
PEAS-DRY		1,713	247	239
		59,249	7,543	7,397

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
GUINEA-BISSAU			
CORN SOYA MILK	74	10	11
GRAIN SORGHUM	6,623	334	334
MILK DRIED	68	3	3
RICE MILLED	1,174	148	148
VEGETABLE OIL	357	162	159
	8,296	657	655
GUINEA			
RICE MILLED	633	85	83
	633	85	83
HAITI			
CORN SOYA MILK	120	19	18
BULGUR	30,577	3,259	3,194
CORNMEAL	22,419	2,392	2,328
C SOY MASA FLOUR	200	26	26
MILK DRIED	8,561	513	513
VEGETABLE OIL	3,231	1,465	1,438
WHEAT FLOUR	280	29	28
RAISINS-DRIED	1,499	206	202
	66,887	7,909	7,745
HONDURAS			
CORN SOYA MILK	8,207	1,283	1,218
BULGUR	335	32	32
CORN	5,635	444	444
MILK DRIED	4,581	229	229
RICE MILLED	4,003	510	510
VEGETABLE OIL	2,043	915	903
WHEAT FLOUR	2,552	270	258
WHEAT SOY MILK	124	20	19
	28,480	3,703	3,613
INDIA			
CORN SOYA MILK	145,130	21,221	21,036
BULGUR	200,317	20,142	19,781
RICE MILLED	18,743	2,401	2,396
VEGETABLE OIL	40,799	[illegible]	18,100
WHEAT	153,130	10,027	10,027

COUNTRY AND COMMODITY		SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
INDIA	(CONTINUED)			
		558,119	72,240	71,340
INDONESIA				
CORN SOYA MILK		18	3	3
BULGUR		26,588	2,766	2,721
CORN		847	65	65
MILK DRIED		7,410	371	371
RICE MILLED		6,690	894	887
WHEAT FLOUR		343	37	39
		41,896	4,136	4,066
JAMAICA				
BUTTER		1,523	76	76
CHEESE		3,006	150	150
MILK DRIED		999	50	50
VEGETABLE OIL		198	97	95
WHEAT FLOUR		1,500	152	149
		7,226	525	520
JORDAN W BANK				
CORN SOYA MILK		65	10	10
BULGUR		3,668	382	353
MILK DRIED		973	54	54
RICE MILLED		902	116	116
VEGETABLE OIL		668	296	290
WHEAT FLOUR		6,497	739	727
		12,773	1,597	1,550
KENYA				
BEANS DRY EDIBLE		5,951	1,079	1,058
CORN SOYA MILK		5,807	885	869
BULGUR		21,730	2,106	2,099
CORN		323,561	19,011	19,011
MILK DRIED		3,967	198	198
VEGETABLE OIL		2,899	1,287	1,260
		363,915	24,566	24,495
LAOS				
RICE MILLED		11,476	2,047	1,947

COUNTRY AND COMMODITY		SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
LAOS	(CONTINUED)			
		11,475	2,347	1,347
LEBANON				
VEGETABLE OIL		518	222	217
		518	222	217
LESOTHO				
CORN SOYA MILK		1,345	282	257
BULGUR		13,204	1,323	1,304
CORNMEAL		14,234	1,344	1,320
MILK DRIED		5,359	413	413
VEGETABLE OIL		5,344	2,842	2,780
WHEAT		32,543	2,258	2,258
WHEAT FLOUR		5,390	598	586
PEAS DRY		176	22	21
		80,256	9,098	8,959
MALAGASY REPUBLIC				
MILK DRIED		3,305	217	217
RICE MILLED		27,414	3,562	3,526
VEGETABLE OIL		3,782	1,544	1,512
		34,501	5,323	5,255
MALAWI				
CORN SOYA MILK		1,345	211	207
VEGETABLE OIL		88	41	40
		1,433	252	247
MALI				
CORN		88,234	6,341	6,341
CORNMEAL		53,860	5,557	5,458
MILK DRIED		3,426	121	121
RICE MILLED		77,060	9,474	9,491
VEGETABLE OIL		2,417	1,127	1,104
WHEAT		10,314	772	772
		234,311	23,392	23,287
MAURITANIA				
CORN SOYA MILK		751	111	106

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
MAURITANIA (CONTINUED)			
GRAIN SORGHUM	15,994	957	957
S F SORGHUM GRITS	8,510	869	853
MILK DRIED	9,932	527	527
RICE MILLED	1,069	145	142
VEGETABLE OIL	1,772	778	761
WHEAT	38,958	2,782	2,782
	76,985	6,169	6,128
MAURITIUS			
CORN SOYA MILK	933	156	142
	933	156	142
MEXICO CMTY DVELMT			
BEANS DRY EDIBLE	1,000	264	249
MILK DRIED	512	26	26
VEGETABLE OIL	342	141	138
WHEAT FLOUR	5,095	545	540
	6,949	976	953
MOROCCO			
MILK DRIED	9,213	461	461
VEGETABLE OIL	7,717	3,602	3,530
WHEAT	17,953	1,289	1,289
WHEAT FLOUR	53,769	5,626	5,572
	88,652	10,978	10,852
MOZAMBIQUE			
CORN	151,296	9,557	9,557
RICE MILLED	691	95	95
VEGETABLE OIL	420	203	199
PEAS-DRY	475	68	66
	152,882	9,923	9,917
NEPAL			
MILK DRIED	1,345	67	67
VEGETABLE OIL	375	160	157
WHEAT FLOUR	1,199	121	118
WHEAT SOY MILK	7,690	1,142	1,124
	10,609	1,490	1,466

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
NIGER			
CORN SOYA MILK	12,786	1,974	1,935
GRAIN SORGHUM	208,582	12,298	12,298
S F SORGHUM GRITS	3,373	350	346
MILK DRIED	721	36	36
VEGETABLE OIL	1,906	838	821
WHEAT	659	51	61
WHEAT FLOUR	230	25	25
	228,257	15,572	15,512
PAKISTAN			
MILK DRIED	8,733	437	437
VEGETABLE OIL	19,166	8,457	8,299
WHEAT	617,931	40,642	40,642
	645,830	49,536	49,378
PANAMA			
BEANS DRY EDIBLE	57	24	26
CORN	487	30	30
CORNMEAL	20	2	2
VEGETABLE OIL	73	30	29
WHEAT FLOUR	172	19	19
	809	105	106
PERU			
CORN SOYA MILK	10,429	1,662	1,550
BULGUR	14,453	1,484	1,452
CORNMEAL	17,179	1,704	1,680
MILK DRIED	7,034	355	355
RICE MILLED	24,878	3,125	3,088
VEGETABLE OIL	11,254	5,074	4,997
WHEAT	9,793	749	749
WHEAT FLOUR	25,919	2,689	2,639
PEAS-DRY	551	75	73
	121,490	16,917	16,583
PHILIPPINES			
CORN SOYA MILK	32,018	4,900	4,798
BULGUR	7,333	728	715
MILK DRIED	24,602	1,230	1,230

COUNTRY AND COMMODITY		SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
PHILIPPINES	(CONTINUED)			
RICE MILLED		56,618	7,682	7,624
WHEAT FLOUR		9,284	1,034	1,086
		129,855	15,574	15,453
POLAND				
RICE MILLED		9,762	1,263	1,263
VEGETABLE OIL		9,103	4,052	3,998
WHEAT FLOUR		65,398	7,055	6,905
		84,263	12,370	12,166
RWANDA				
BULGUR		122	13	13
CORNMEAL		6,302	609	614
GRAIN SORGHUM		11,044	597	597
MILK DRIED		8,608	447	447
RICE MILLED		7,214	919	916
VEGETABLE OIL		4,125	1,823	1,804
WHEAT FLOUR		1,820	185	182
		39,235	4,593	4,573
SAO TOME				
CORNMEAL		525	58	57
MILK DRIED		229	11	11
VEGETABLE OIL		66	30	30
WHEAT FLOUR		487	51	50
		1,307	150	148
SENEGAL				
CORNMEAL		14,273	1,281	1,255
GRAIN SORGHUM		4,146	243	243
S F SORGHUM GRITS		7,127	776	747
MILK DRIED		14,975	749	749
VEGETABLE OIL		2,225	937	951
		42,746	3,986	3,945
SEYCHELLES				
MILK DRIED		117	7	7
RICE MILLED		852	112	112
VEGETABLE OIL		195	91	89

COUNTRY AND COMMODITY		SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
SEYCHELLES	(CONTINUED)			
		1,164	210	208
SIERRA LEONE				
BULGUR		5,022	483	487
MILK DRIED		3,955	198	198
RICE MILLED		441	53	53
VEGETABLE OIL		1,451	659	645
		10,869	1,393	1,383
SOMALIA REPUBLIC				
CORN SOYA MILK		8,014	1,184	1,159
CORN		35,260	2,378	2,378
GRAIN SORGHUM		24,801	1,440	1,440
MILK DRIED		4,838	242	242
VEGETABLE OIL		11,168	5,198	5,088
WHEAT		22,023	1,090	1,090
WHEAT FLOUR		6,192	677	659
		112,296	12,209	12,054
ST LUCIA				
MILK DRIED		51	3	3
VEGETABLE OIL		22	11	11
WHEAT FLOUR		190	27	20
PEAS-DRY		4	1	1
		267	42	35
SUDAN				
BEANS DRY EDIBLE		2,054	425	416
CORN SOYA MILK		14,544	2,304	2,260
CORNMEAL		698	58	57
GRAIN SORGHUM		1,114,438	64,414	64,414
MILK DRIED		5,209	269	269
RICE MILLED		454	54	54
VEGETABLE OIL		25,153	10,931	10,713
WHEAT		2,373	164	164
WHEAT FLOUR		9,995	1,102	1,082
LENTILS-DRY				
		1,174,948	79,741	79,449
TANZANIA				

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
TANZANIA (CONTINUED)			
BULGUR	19,744	1,856	1,887
CORNMEAL	315	29	28
S F SORGHUM GRITS	8,432	872	864
MILK DRIED	5,129	280	280
RICE MILLED	265	32	32
VEGETABLE OIL	10,518	4,511	4,404
	44,403	7,580	7,495
TOGO			
BULGUR	4,749	488	480
CORN	1,600	103	103
CORNMEAL	4,065	454	445
GRAIN SORGHUM	1,535	97	97
MILK DRIED	4,721	241	241
VEGETABLE OIL	2,202	992	972
PEAS-DRY	625	88	85
	19,497	2,463	2,423
TUNISIA			
BULGUR	200	21	21
MILK DRIED	2,166	108	108
RICE MILLED	349	47	45
WHEAT FLOUR	9,219	928	891
PEAS-DRY	316	41	40
	12,250	1,145	1,105
UGANDA			
CORN SOYA MILK	200	29	28
	200	29	28
BURKINA FASO			
CORNMEAL	70,174	7,923	7,766
GRAIN SORGHUM	53,181	3,029	3,029
S F SORGHUM GRITS	1,668	179	177
MILK DRIED	15,225	858	858
RICE MILLED	3,107	427	427
VEGETABLE OIL	16,299	7,020	6,882
WHEAT	3,226	224	224
WHEAT FLOUR	25	3	3

COUNTRY AND COMMODITY	SHIPPED QUANTITY (POUNDS)	CCC INVOICE VALUE	EXPORT VALUE
BURKINA FASO (CONTINUED)			
	162,905	19,663	19,368
ZAIRE REPUBLIC			
CORN SOYA MILK	364	61	60
CORN	19,200	1,347	1,340
	19,564	1,408	1,400
ZAMBIA			
CORN	49,705	3,409	3,409
	49,705	3,409	3,409
ZIMBABWE			
BEANS DRY EDIBLE	1,400	379	372
CORN SOYA MILK	7,360	978	959
CORN	27,557	1,806	1,806
VEGETABLE OIL	630	295	288
	36,947	3,458	3,425
	7,315,954	699,477	692,040

P.L. 480 TITLE II

Mr. WHITTEN. How many children participate worldwide in the Title II school lunch program, and what is the average cost per meal?

Mr. SIMS. School feeding programs included 11,273,400 participants in fiscal year 1985. The average cost per meal is difficult to calculate due, in great part, to the varying number of days covered under respective programs and the numerous combinations of servings. Some meals may consist of Title II foods only, while others may consist of Title II foods complemented by local food supplies. In fiscal year 1982, the average cost per meal was estimated at $2.83 per pound and it is unlikely that that figure has changed significantly in recent years.

Mr. WHITTEN. What is provided as a typical meal?

Mr. SIMS. Title II food provided for a typical meal varies widely according to the type of program and level of Title II inputs relative to the total meal provided. Commodities such as wheat soy blend, corn soy milk, soy-fortified bulgur, soy-fortified wheat flour, and soy-fortified cornmeal are generally served as a beverage, buns or rolls, porridge, or as dough baked on a dry griddle or greased skillet. A typical lunch may be a bun or roll served with a beverage, complemented with a hot soup or porridge prepared with some locally produced foods.

AGRICULTURAL TRADE OFFICES

Mr. WHITTEN. How does the Office of the General Sales Manager relate to the overseas Agricultural Trade Offices?

Mr. SIMS. The Agricultural Trade Offices overseas provide the Office of the General Sales Manager with a set of representatives in the growing and emerging markets of developing countries. In fiscal year 1985, the trade offices proved to be not only instruments through which U.S. agricultural products could be showcased or introduced, but also proved to be valuable conduits of information and communication for the development of our credit and export enhancement programs in countries such as Algeria, Tunisia, Iraq, and Turkey.

COOPERATOR PROGRAM

Mr. WHITTEN. How does the Office of the General Sales Manager relate to the cooperators that are operating overseas?

Mr. SIMS. The cooperators provide the General Sales Manager with direct links to both foreign commercial buyers and U.S. commercial sellers of agricultural products. The input provided by these offices is valuable, and many times critical to the development of credit and export promotion programs originating in the Sales Manager's office, helping to increase exports by specific groups of U.S. commodity producers and processors.

CONCESSIONAL AND GUARANTEED SALES

Mr. WHITTEN. When negotiating sales that involve some type of government assistance, whether it be concessional sales under title I or export guarantees or some type of interest subsidy, is any provision made in the contract to try to assure that the purchaser will also attempt to expand regular purchases of U.S. commodities?

Mr. SIMS. With respect to Title I/III sales agreements the answer is yes. Negotiating instructions for each agreement remind the U.S. negotiating team to point out to the participating country that they must take steps to assure that the United States obtains a fair share of any increase in commercial purchases of agricultural commodities by the purchasing country. However, we do not enter into actual agreements under most of our other credit programs, and we rely more on the programs to expand sales directly than to ensure commitments to expansion.

Mr. WHITTEN. What cases can you document that government assisted sales have led to increased commercial sales?

Mr. SIMS. Sales to Iraq would be much lower if our credit guarantees were not available. While we have not had much of an increase in cash sales, we expect our program to be a factor when the Gulf war is ended. In addition, an evaluation of the Korean program indicated that we achieved a higher level of sales than would have been the case in that market without credit programs. Moreover, our Export Enhancement Program for 1 million tons of wheat to Algeria has allowed the United States to increase its exports to that country significantly—this marketing year's exports of 975,000 tons is 134 percent above the 416,000 tons exported at this time last year. Finally, the return of export credit programs to Morocco has brought a sharp increase in U.S. wheat exports there. In fiscal year 1985, the United States managed only a 40 percent market share in Morocco, but in fiscal 1986 our market share is projected to total at least 60 percent, with a value increase of nearly $50 million. The larger market share is a direct result of increased exports under the combined Export Enhancement and GSM-102 programs, which have allowed our wheat exports to regain markets captured by subsidizing countries in the EEC.

EXPORT COMPETITION

Mr. WHITTEN. Would you please describe for the Committee some of the export credit programs that are in use by other countries as a means of promoting their own exports?

Mr. SIMS. Other countries' promotional programs do not always involve credit. The European Community, for example, uses export subsidies, in addition to a program of export credits and credit guarantees, and sometimes subsidizes interest rates. Argentina does not provide credit financing, but does control export prices to ensure that Argentine commodities are always price competitive. Brazil provides export subsidies. Canada provides credit programs similar to our commercial 3-year credit programs, and sometimes provides a subsidized freight element. Recently Australia has been offering increasing amounts of credit.

Mr. WHITTEN. Mrs. Smith.

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Mrs. SMITH. You have a tremendous job ahead of you in trying to regain lost markets for U.S. agriculture goods. We will do everything we can to assist you in any way possible because we all want to see our exports increased. In reading your testimony, I see your export enhancement programs, credit guarantees, etc. I am wondering if Cargo Preference will undermine the effectiveness of these programs? What has been or is the expected reaction to the offers tendered on behalf of the dairy termination program?

Mr. SIMS. Thank you for your comments. Let me say that regarding cargo preference, this administration believes that our commercial credit programs should and must continue to be exempt from cargo preference provisions, in order that export markets can be maintained. Regarding dairy cattle, we are using the Export Enhancement program.

Mrs. SMITH. Mr. Chairman.

Mr. WHITTEN. Thank you, Mr. Sims.

[The statements follow:]

FOREIGN AGRICULTURAL SERVICE
Statement of
Thomas O. Kay, Administrator
Foreign Agricultural Service
U.S. Department of Agriculture
Before the House Subcommittee on Agriculture,
Rural Development, and Related Agencies

Mr. Chairman, members of the Subcommittee. I appreciate this opportunity to meet with you to discuss the work of the Foreign Agricultural Service and to present our budget request for fiscal year 1987.

I remain convinced that exports are the way to restore better income conditions to U.S. farmers. I am also convinced that exports remain vital to restoring economic vitality to American agriculture.

This is a realistic goal to work toward over the next few years. The challenge is great, and FAS, with its global agricultural network can play a significant role in meeting that challenge.

Today I would like to review with the Committee how we see the coming months and the specific efforts we will undertake to improve our export prospects. Our presentation is broken down into six parts--situation and outlook; trade policy; export strategy; market development; and our global agricultural network. We will close with our specific budget request.

THE SITUATION AND OUTLOOK FOR U.S. AGRICULTURAL EXPORTS

I would like to focus briefly on the turnaround in exports which we expect under the new farm bill. Since the beginning of the 1980's, we have seen a decline in world trade of agricultural commodities. In recent years, we have lost not only total export sales, but also market position.

The slide in agricultural exports has been due to many forces but certainly a major factor has been our failure to keep a price posture which allowed our commodities to be competitive with those of other exporting countries. With the new legislation, the export decline can be turned around, but the going may be tough at times.

To be sure, export prospects are expected to improve. Loan rates for 1986 crop wheat and feed grains will be coming down sharply. As a result, U.S. agriculture should become more competitive in world markets. The question becomes "Will other countries begin to import more and will competing exporters slow down their production for export?"

We believe there will be sizable changes on both counts and that U.S. exports will resume their upward trend of earlier years. How soon and by how much is difficult to pinpoint, but already we can see signs that lower world market prices are causing exporters and importers to stop and rethink their agricultural and trade policies.

U.S. cotton and rice export sales should respond to the marketing loans mandated by the new legislation. Exports of other commodities, such as wheat will also begin to recover, as reduced loan rates allow U.S. prices to adjust to the realities of the world marketplace. The extent of this recovery in export sales will depend of course on the extent to which our prices are competitive. If U.S. domestic programs continue to hold U.S. farm prices above those in the world market, the turnaround in export sales will be delayed.

In addition to the market oriented features of the new farm bill, a number of other conditions for export growth are better than they have been in the recent past. The U.S. dollar has adjusted significantly in recent months. This should help our exports. Interest rates are declining, thereby improving somewhat the financial crunch felt by many importing countries.

Most importantly, over the long term we believe the world market will continue to expand. While production around the globe will increase, so will demand. The foreign market is the market of opportunity for American agriculture. If U.S. agriculture is to prosper, it must be a reliable and competitive supplier of agricultural exports to the world market. With the new farm bill, we are better poised to do that.

U.S. AGRICULTURAL EXPORT STRATEGY

While the new farm bill sets the United States on a more competitive course, we will not become fully competitive overnight. Also, our competitors will not easily give up the markets they have gained--often at U.S. expense--over the past decade. Therefore, we need a coordinated approach to ensure that we utilize available resources in the most effective manner.

The structure of world agricultural trade has changed sharply. Trade in processed food and agricultural products now exceeds trade in the traditional bulk items, but the United States has not fully participated in this growth area. But more importantly, trade barriers are more restrictive as most countries' tariff structures offer greater protection for the more processed items.

Thus, we are developing a two-pronged approach in response to these structural changes in world markets. For the processed products, we need to undertake more in-depth analysis of the trends in world trade and identify those products which offer the greatest market potential. Reduction of trade barriers for the products so identified will be given high priority in the upcoming round of multilateral trade negotiations and will continue to be emphasized in our bilateral discussions with our trading partners.

For the traditional bulk products, our strategy will be to utilize the export credit program and other competitive tools until we become fully competitive.

In the short run we will work to counter export subsidies and other unfair trade practices, but over the long term, we must convince our trading partners to join with us in abandoning measures that distort comparative advantage.

TRADE POLICY

The farm bill will contribute importantly to restoring the price-competitiveness of U.S. commodities in world markets. But price and demand uncertainties aside, our exports face an array of foreign trade barriers and trade practices which, until removed or reduced, will deny the access to world markets that is essential if export growth is to lead the economic recovery of our farming sector.

We will be engaged in negotiations whose outcome will be critical to the success of our efforts to expand farm exports. Most comprehensive of these is the upcoming round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). A preparatory committee is now determining the scope and objectives of these negotiations. We have three broad objectives in these negotiations: to improve access in foreign markets; to write effective GATT rules for controlling unfair trade practices such as export subsidization; and to impose greater discipline on the use of food, plant and animal health restrictions to the extent these constitute technical barriers to trade. An effective and efficient dispute settlement process will also be one of our major efforts.

More immediately, we hope to engage in negotiations with the European Community (EC) related to its enlargement to include Spain and Portugal. We will concentrate our negotiating effort on assuring that the United States is properly compensated for Spain's and Portugal's adoption of more restrictive EC import policies. For sectors where EC, Spanish, and Portuguese import restrictions are not extensive, we will focus on preventing adoption of new import restrictions.

Consultations are being held with developing countries in relation to competitive need limits under the Generalized System of Preferences (GSP). Under the GSP program, duty-free treatment is not granted on products from any country when that country's shipments already account for half of U.S. imports of the product. The Trade and Tariff Act of 1984 permits this limit to be tightened or waived in consideration of actions beneficiary countries take with regard to U.S. exports. Decisions on these changes will be made early next year.

FAS is participating in negotiations to ensure that past tariff concessions will be preserved when most major trading countries change their tariffs to conform with a new nomenclature known as the Harmonized Commodity Description and Coding System. These negotiations should be completed by the end of this year so that the harmonized tariff schedules can be adopted at the beginning of 1988.

FAS also is involved in the planning for negotiations between the United States and Canada relating to the formation of a free trade area. If Congress approves, preliminary discussions with Canada could begin by May 1986. These negotiations will be aimed at eliminating trade barriers, resulting in more trade in both directions and better economic use of our resources.

Other negotiations concern commitments Mexico will make as a result of their interest in becoming a signatory to the GATT. Mexico is our single largest trade partner which is not a member of the GATT--the United States receives 60 percent of Mexico's agricultural exports and supplies about $1.5 billion, or 85 percent, of Mexico's agricultural imports. Mexico's membership would establish much needed procedures to govern our bilateral trade, making market access easier and more predictable.

We have achieved some notable results in the trade policy area in the past year. I would like to take a minute to review these.

Progress has been made with the Japanese in a number of areas. As a result of our efforts, Japan agreed last June to reduce its tariffs on a number of agricultural products of interest to U.S. producers, including wine, walnuts and chicken. These tariff concessions apply to $85 million in U.S. exports.

Within the context of our Market-Oriented-Sector-Selective (MOSS) talks, Japan has agreed to unilaterally reduce its tariffs on solid wood and wood panel products in 1987. Some $200 million in U.S. exports will benefit from these concessions which cost us nothing.

Studies are underway for the establishment of structural standards on a number of new generation wood panel products in which the United States is very competitive. U.S. observers are witnessing the tests and will be allowed to take part in the standards drafting process. In addition, the two countries are jointly reviewing Japan's building and fire codes which could stimulate greater use of wood products. We will continue to discuss these matters with the Japanese in the months ahead.

One very visible demonstration of the progress we have made in the wood products area is the construction of a wood demonstration structure in Tokyo. The target date for completion is May 1. The three-story building will feature all-wood construction, utilize modern building systems and products, and demonstrate the savings that can be achieved in building costs, time, and energy requirements by using wood.

We have also been successful in getting Japan to modify a procedural change in its administration of orange quotas which could have had a serious negative impact on U.S. orange exports to Japan. After strong objections from the U.S. government, the Japanese government assured us that its tree fruit legislation would be consistent with the GATT and other international agreements. About $200 million in U.S. exports are involved.

Our trade policy work has been successful with other nations as well.

For example, as a result of trade negotiations Taiwan and Korea reduced agricultural and forestry tariffs on a broad range of agricultural products in 1985 having an export value of $165 million.

In Taiwan, action was taken on products with an import value of $100 million in 1984. U.S. exports of these products could more than double in the next two or three years, particularly as a result of Taiwan's agreement to take immediate steps to liberalize imports of cigarettes, wines and beer.

Consultations with Korea have improved market access for U.S. almonds, grapefruit and fresh cherries, among other products. Despite this progress, we still have market access problems in both of these countries, and we are continuing to press for further liberalization with officials in Taiwan and Korea.

Colombia has issued more import licenses for apples, lentils and peas, allowing U.S. exports of these commodities to increase.

After intensive discussions, the Canadian government agreed to voluntarily limit exports of millfeed to the United States. Canadian millfeed exports to the United States had been increasing because of the transportation subsidies implemented in 1984.

Canada also agreed to exempt high quality beef from its meat import law during 1985, opening the way for more imports of U.S. beef.

In mid-1985, Mexico removed a large number of agricultural products from the list of items requiring import licenses. The most significant agricultural products affected are hides, skins and offals.

Finally, last year was another of free access into the EC for oilseeds and non-grain feed ingredients, thereby helping to maintain a market for $2 billion in U.S. exports of these products. We satisfactorily resolved our canned fruit dispute with the Community and have made some progress toward a solution on citrus.

FAS will continue to work to eliminate barriers on specific products wherever these barriers exist.

MARKET DEVELOPMENT

The private sector and the Federal Government have long shared the responsibility for market development through the Cooperator Program.

The cooperators have contributed the major share of the operating expenses of this joint market development program. In addition, FAS depends on private sector organizations for the hands-on implementation of export market development projects.

Promotion programs include trade servicing, training and education programs, seminars, demonstrations, international trade exhibits, advertising, merchandising and trade missions to and from the United States.

Because of the seriousness of the federal budget situation, in fiscal year 1987 a much larger share of the fiscal responsibility for this effort must be borne by the private sector. I would like to emphasize, however, that the government's share of the market development effort will still be significant.

FAS also will continue to support market development through a wide range of activities in addition to the Cooperator Program.

Our Agricultural Trade Office program provides a home base overseas for FAS Cooperators and U.S. exporters and serves as a vital link in bringing buyers and sellers together.

To intensify our marketing efforts in regions we believe offer the greatest sales potential, Agricultural Trade Offices were opened in Istanbul, Turkey; Baghdad, Iraq; and Guangzhou, China, in the past year. To accomplish this, we closed our trade office in Warsaw, Poland, and scaled back some of our attache offices, primarily in Western Europe. We are constantly examining the effectiveness of overseas offices and shifting emphasis and resources to meet the greatest need in terms of tapping market potential for U.S. exporters.

This year, as part of our effort to capitalize on the growing international market for high-value agricultural products, we plan to open another trade office in Tokyo.

The increased focus on high-value and consumer ready products is part of our overall strategy to help boost U.S. exports. On balance since 1981, high value and consumer-ready products have held relatively stable in contrast to bulk commodity exports which have experienced sharp losses.

In recognition of the increasing importance of this market for U.S. exporters, FAS will establish a Processed Food Products Division this year. This division will focus on high-value and consumer-ready products which are in growing demand, particularly in developed countries which have high per capita incomes.

In addition, given the success of the 18-month pilot project phase of the Agricultural Information and Marketing Services program (AIMS) and its popularity with U.S. companies and State Departments of Agriculture, FAS has decided to make it a permanent program and will further develop it during the next year.

The AIMS mission is to encourage U.S. exporters to assume a more active role in pursuing export opportunities by providing them with timely marketing information.

An outside review panel, made up of representatives from both the private and public sector, concluded that AIMS significantly benefited the program's users. The report recommended that FAS continue AIMS and further enhance its coverage of hard-to-find international marketing information.

During 1985, AIMS distributed to U.S. firms--within 48 hours of importers' inquiries overseas--over 5,500 specific trade opportunities to the program's participants. That was up 35 percent from the previous year. These companies collectively reported AIMS-related export sales of $583 million--up 41 percent from the previous year.

GLOBAL AGRICULTURAL NETWORK

The vital link for the development and implementation of all our international programs is our network of agricultural counselors, attaches and trade officers who represent and promote U.S. agricultural interests around the world.

These agricultural experts work to help U.S. exporters make sales, to maximize trade access for U.S. products, to collect, analyze and report essential agricultural information, and to implement U.S. agricultural export programs.

FAS commodity and marketing specialists in Washington analyze the data collected overseas to produce commodity forecasts and guidance on market potential. Over the last few years, FAS has focused a great deal of effort on what the competition is doing. We have stepped up worldwide monitoring of day-to-day changes in world market prices and the intricacies of different terms, conditions, and competitive practices.

Together, FAS' overseas and Washington staff provide U.S. farmers and traders with timely information on world supply and demand for U.S. agricultural products and provide policy makers with information needed to make decisions regarding U.S. and international agricultural interests.

In addition, FAS staff here and around the world have provided increased support for trade negotiations and for the operation of the credit, sales, and food aid programs administered by the Office of the General Sales Manager which have been so important in moving U.S. farm products into export channels.

BUDGET REQUEST

FY 1986

Before discussing our budget request for FY 1987, I would like to briefly comment on the impact of the Balanced Budget and Emergency Deficit Control Act of 1985, more commonly referred to as Gramm-Rudman-Hollings, on our FY 1986 Budget.

Under the conditions of the legislation, FAS budget authority in FY 1986 will be reduced 4.3 percent from the current budget of $83.0 million to $79.5 million. Budget outlays will be reduced $3.5 million over a two-year period.

The spending reduction plan we have implemented will avoid personnel reductions or reductions in employee compensation through furloughs. In addition, we do not plan to eliminate or reduce any of our overseas offices. Instead, we have concentrated the reduction in headquarters spending areas such as travel, training, equipment, and contractual services. The actions we have taken will not cause any serious disruption in program operations.

FY 1987

The fiscal year 1987 budget request for FAS is $71.9 million. This represents an $11.1-million reduction from the amount appropriated for FY 1986 before the imposition of the Gramm-Rudman-Hollings reduction. The FY 1987 request includes an increase of $1.7 million to maintain current services of our worldwide agricultural counselor/attache network and our Agricultural Trade Offices, and a decrease of $12.8 million for the Foreign Market Development Cooperator Program.

The decrease in FAS funding for the Cooperator Program is in accordance with the Administration's government-wide policy to transfer a larger portion of the cost of certain government programs to the private sector. This budget request would effectively reduce the FAS contribution from approximately 30 percent of the total combined effort to 20 percent.

That concludes my statement, Mr. Chairman. I will be glad to respond to questions.

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FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established on March 10, 1953 by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690 approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service.

The agency performs the following kinds of service functions:

It maintains a worldwide agricultural intelligence and reporting service to provide U.S. farmers and traders with information on world agricultural production and trade that they can use to adjust to changes in world demand for U.S. agricultural products. This is done through a continuous program of reporting by 76 posts located throughout the world covering some 108 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities. Advanced computer and telecommunications technology is used to improve and speed the flow of information between the posts and Washington.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. Published economic data about commodities are combined with attache reports and subjected to analysis through advanced econometric techniques to generate these estimates.

In addition, the Service uses advanced techniques for identifying, delineating and assessing the impact of events which may affect the condition and expected production of foreign crops of economic importance to the United States. The crop condition activity relies heavily on computer aided analysis of satellite, meteorological, agricultural and related data.

The Service develops foreign markets for U.S. farm products through effective market expansion activities. It provides services to the U.S. and foreign agricultural trade sectors that are necessary to establish, build and maintain overseas markets for U.S. agricultural products. The Agricultural Trade Act of 1978 includes authority to establish up to 25 Agricultural Trade Offices. Currently fourteen such offices are in operation at key foreign trading centers to assist U.S. exporters, trade groups and state export marketing officials in trade promotion.

The Service initiates, directs and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. It monitors international compliance with bilateral and multilateral trade agreements. It identifies restrictive tariff and trade practices which act as barriers to the import of U.S. agricultural commodities, then supports negotiations to remove them. It acts to counter and eliminate unfair trade practices of other countries that hinder U.S. agricultural exports to third markets.

Headquarters of the Service is in the U.S. Department of Agriculture building in Washington, D.C. Work of the Service is also carried out in 76 posts around the world. As of September 30, 1985, there were 643 permanent full-time employees, 375 in headquarters and 268 in field locations, and 22 other, 18 in headquarters and 4 in field locations.

FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff-Years

1985 Actual and Estimated, 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Foreign Agricultural Service	$83,579,000	724	$83,003,000	690	$71,882,000	681
Obligations under other USDA appropriations:						
Office of International Cooperation and Development for detail...	29,547	--	--	--	--	--
Agricultural Marketing Service for Cotton Research...	21,000	--	17,500	--	17,500	--
Agri. Stabilization and Conservation Service for Landsat Data and P.L. 480 On-Line System............	1,523,400	--	2,180,000	--	2,096,000	--
Animal and Plant Health Inspection Service for Equipment.........	28,186	--	--	--	--	--
Rural Electrification Administration for equipment.........	12,273	--	--	--	--	--
Federal Safety and Inspection Service for contract services..........	2,570	--	10,277	--	10,277	--
Agricultural Research Service for remote sensing...........	178,680	--	--	--	--	--
Transfer from Suspense Account..	50,000	--	--	--	--	--
Total, Other USDA Appropriations....	1,845,656	--	2,207,777	--	2,123,777	--
Total, Agricultural Appropriation.....	85,424,656	724	85,210,777	690	74,005,777	681
Other Federal Funds:						
Executive Office of the President, Office of the U.S. Trade Representative detail.....	13,008	1	13,644	1	13,644	1
Department of State detail............	32,845	1	--	--	--	--

continued

Item	1985 Actual		1986 Estimated		1987 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Non-Federal Funds:						
User Fees for Attache Reports...	222,412	--	223,000	--	223,000	--
User Fees for AIMS Trade Leads..	69,073	--	115,000	--	115,000	--
User Fees for Computer Time and Files..........	4,235	--	5,000	--	5,000	--
Total, Foreign Agricultural Service	$85,766,229	726	$85,567,421	691	$74,362,421	682

Full-Time Equivalent Staff Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling....................	718	683	674
Non-ceiling...............	8	8	8
Total....................	726	691	682

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff-Year Summary

1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	2	--	2	2	--	2	2	--	2
ES-4	3	--	3	3	--	3	3	--	3
ES-3	2	--	2	2	--	2	2	--	2
GS/GM-15	20	--	20	20	--	20	20	--	20
GS/GM-14	48	--	48	48	--	48	48	--	48
GS/GM-13	57	--	57	55	--	55	55	--	55
GS-12	41	--	41	40	--	40	38	--	38
GS-11	27	--	27	25	--	25	23	--	23
GS-9	50	--	50	48	--	48	46	--	46
GS-8	10	--	10	10	--	10	8	--	8
GS-7	61	--	61	59	--	59	58	--	58
GS-6	38	--	38	38	--	38	38	--	38
GS-5	23	--	23	23	--	23	23	--	23
GS-4	12	--	12	12	--	12	12	--	12
GS-3	16	--	16	16	--	16	16	--	16
Other Graded Positions	48	124	172	48	124	172	48	124	172
Ungraded Positions.	4	155	159	4	155	159	4	155	149

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff-Year Summary

1985 and Estimated 1986 and 1987

continued

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Total Permanent Positions	463	279	742	454	279	733	445	279	724
Staff Years:									
Ceiling	440	278	718	411	272	683	402	272	674
Non-Ceiling	8	0	8	8	0	8	8	0	8
TOTAL	448	278	726	419	272	691	410	272	682

FOREIGN AGRICULTURAL SERVICE

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987

	1985	1986	1987
Personnel Compensation:			
Headquarters	$19,546,403	$19,254,000	$19,047,000
Field	4,414,490	5,010,000	5,252,000
11 Total personnel compensation	23,960,893	24,264,000	24,299,000
12 Personnel benefits	3,211,050	3,378,000	3,460,000
13 Benefits for former personnel	111,361	87,000	79,000
Total Pers. Comp. & Benefits	27,283,304	27,729,000	27,800,000
Other Objects:			
21 Travel	2,417,291	2,757,000	2,924,000
22 Transportation of things	783,965	948,000	1,033,000
23 Communications, utilities and other rents	3,866,749	4,777,000	5,224,000
24 Printing and reproduction	507,209	586,000	734,000
25 Other services	44,617,576	44,398,000	31,788,000
26 Supplies and materials	774,116	859,000	867,000
31 Equipment	2,588,227	939,000	1,502,000
42 Insurance claims and indemnities	2,368	10,000	10,000
Total other objects	55,557,501	55,274,000	44,082,000
Total direct obligations	$82,840,805	$83,003,000	$71,882,000
Position Data:			
Average Salary, ES positions	$66,914	$68,983	$68,983
Average Salary, FO positions	$47,265	$48,727	$48,727
Average Salary, GS positions	$29,978	$29,878	$29,878
Average Grade, GS positions	9.67	9.66	9.66

FOREIGN AGRICULTURAL SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets).

Foreign Agricultural Service:

1 For necessary expenses [for] of the Foreign Agricultural Service, including
carrying out Title VI of the Agricultural Act of 1954 as amended (7 U.S.C.
1761-1768), market development activities abroad, and for enabling the
Secretary to coordinate and integrate activities of the Department in
connection with foreign agricultural work, including not to exceed $110,000
for representation allowances and for expenses pursuant to section 8 of the
2 Act approved August 3, 1956 (7 U.S.C. 1766), [$83,046,000] $71,882,000[:];
3,4 [Provided, That] of which not less than $255,000 [of the funds contained in
this appropriation] shall be available to obtain statistics and related
facts on foreign production and full and complete information on methods
used by other countries to move farm commodities in world trade on a
competitive basis.

The above changes reflect technical adjustments to improve the structure and clarity of the language.

FOREIGN AGRICULTURAL SERVICE

Appropriation Act, 1986		$83,547,000
Budget Estimate, 1987		71,882,000
Decrease in Appropriation		- 11,665,000
Adjustments in 1986		
Appropriations Act, 1986	$83,547,000	
Less Pro-Rata Reduction, P.L. 99-190	-501,000	
Net Appropriations	83,046,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-43,000	
Adjusted base for 1986		83,003,000
Budget Estimate, 1987		71,882,000
Decrease from adjusted 1986		- 11,121,000

a/ A transfer of $25,000 to Departmental Administration and $18,000 to Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1986 Estimated	Program Changes	1987 Estimates
Foreign Agricultural Affairs	$21,752,000	+ $ 773,000	$22,525,000
Foreign Market Information and Access	12,198,000	+ 77,000	12,275,000
Foreign Market Development	49,053,000	- 11,971,000	37,082,000
Total Available	83,003,000	- 11,121,000	71,882,000

PROJECT STATEMENT
(on basis of adjusted appropriation)

Project	1985		1986 Estimated		Increase or Decrease	1987 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Foreign Agricultural Affairs	$20,713,465	326	$21,752,000	311	+$ 773,000(1)	$22,525,000	307
2. Foreign Market Information and Access	11,939,901	231	12,198,000	220	+ 77,000(2)	12,275,000	217
3. Foreign Market Development	49,187,439	167	49,053,000	159	-11,971,000(3)	37,082,000	157
4. LANDSAT Data	1,000,000	--	--	--	--	--	--
Unobligated balance	738,195		--		--	--	
Total available or estimate	83,579,000	724	83,003,000	690	-11,121,000	71,882,000	681
Transfer to Departmental Administration	+ 25,000	--	+ 25,000	--			
Transfer to Office of Govermental and Affairs	+ 18,000	--	+ 18,000	--			
Total, appropriation	83,622,000	724	83,046,000	690			

EXPLANATION OF PROGRAM

The Foreign Agricultural Service appropriation funds the activities authorized by the Agricultural Act of 1954 (P.L. 690), as amended, and the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended. The activities carried out are as follows:

FOREIGN AGRICULTURAL AFFAIRS - This program area conducts activities contributing to five major objectives. The objectives and their respective workload and achievement indices are as follows:

1. Collecting, interpreting and analyzing marketing, economic and trade information from foreign areas essential to the administration of U.S. foreign agricultural policies and programs; this information is disseminated to farmers for use in planning and marketing decisions. Attaches and counselors submit approximately 4,000 reports annually on production, marketing, economic and trade information.

2. Providing guidance and field supervision in friendly countries with developing markets and implementing related projects. Annually, attaches and counselors provide over 3,000 trade leads and write more than 50,000 letters responding to inquiries regarding U.S. and host country agriculture.

3. Representing global U.S. agricultural trade policy interests, particularly emphasizing obtaining improved access for U.S. farm exports. An estimated 1,100 special trade access communications are sent each year containing direct support for the U.S. export trade.

4. Contributing mission support including guidance and assistance to agricultural development programs in less-developed friendly countries. As members of Embassy country teams, attaches and counselors provide technical guidance on U.S. agricultural developments.

5. Providing representation at international meetings, assistance to U.S. delegates attending international agricultural fora, and service to other USDA agency programs.

FOREIGN MARKET INFORMATION AND ACCESS - This activity consists of three program areas--international agricultural statistics, commodity programs, and international trade policy. These functions, their related objectives, and their respective workload and achievement indices are discussed below.

The program areas prepare and disseminate approximately 130 commodity circulars covering over 100 commodities, 52 issues of the Weekly Roundup of World Production and Trade plus 12 supplements, 12 World Crop Production reports, and 4 issues of the Outlook for U.S. Agricultural Exports published jointly with the Economic Research Service. In addition to published documents, numerous current information reports and ad hoc analyses are prepared for internal use by the Administrator and other high level officials. These reports include the monthly Highlights of U.S. Agricultural Trade and daily/weekly commodity Price and Key Developments reports. FAS also prepares a new series of International Marketing Profiles designed to provide exporters with detailed commodity-specific or country specific export information.

1. International Agricultural Statistics - This program area conducts activities contributing to six major objectives to support the development and expansion of foreign agricultural markets. The objectives addressed and their workload and achievement indices are as follows:

    a. Providing American farmers and traders with information on U.S. and foreign trade, economic indicators, and tariff and other trade restrictions.

    b. Providing American farmers and traders with timely estimates and forecasts of world agricultural production. In addition to providing primary input to the monthly World Crop Production report, this unit publicly releases in excess of 450 current production developments via print media and electronic dissemination.

c. Providing analysts and counselors with current information on the existence, extent, and probable impact of weather-related events on foreign crop conditions.

d. Providing ADP support to enhance the FAS mission of expanding agricultural exports.

e. Improving the quality and timeliness of agricultural counselor reporting and exchanging of information between Washington-based analysts and overseas counselors and substantially increasing the timeliness of information to the U.S. trade using the Global Economic Data Exchange System and the Agricultural Information and Marketing System.

f. Monitoring and reporting on exports of selected U.S. agricultural commodities.

2. Commodity Programs - This program area conducts activities contributing to four major objectives. The objectives addressed and, where feasible, their respective workload and achievement indices are as follows:

a. Providing American farmers, traders, and agribusiness leaders with timely and accurate information on world supply and demand of U.S. agricultural products. Data analyses of factors such as trade potential, prices, supply, consumption, and overall demand are conducted by commodity specialists. The impact these factors have upon U.S. agricultural exports and market development activities are a particular focus of the commodity programs area. These analyses are distributed on a timely basis to the U.S. agricultural community through FAS circular publications, participation in trade and business conferences and meetings, and U.S. trade organizations.

b. Providing U.S. Government policymakers adequate information with which to make decisions regarding U.S. and international agricultural interests. Advanced economic analyses are conducted to examine the data and produce short-term commodity forecasts, commodity status summaries and market potential guidance on a country and area basis. These data are utilized as key input in the decisionmaking process regarding domestic farm policies, foreign trade negotiations and agreements, and market development programs.

c. Fulfilling U.S. legislative requirements:

(1) Day-to-day administration of the Meat Import Law (P.L. 96-177) in cooperation with the U.S. Customs Service and such other special actions as are necessary.

(2) Import licensing for certain dairy products subject to quotas proclaimed under Authority of Section 22 of the Agricultural Adjustment Act of 1935 and administration of certain aspects of non-licensed dairy quotas.

(3) Administration of quota cheese pricing limitations prescribed in Section 702 of the Trade Agreements Act of 1979 (P.L. 96-39).

(4) Analysis and evaluation of the role of sugar in world trade patterns.

d. Providing support and services to an export expansion effort conducted in cooperation with commodity associations, State Departments of Agriculture and private exporters to the benefit of the U.S. agricultural sector. Special studies are made on a country, region, and world basis for assigned commodities to identify market opportunities, to determine the likely impact of competition from other countries and, to strategically plan promotional activities to enhance U.S. agricultural exports. Virtually every U.S. farm product entering world trade is promoted by one of the market development activities supported by commodity programs.

The information contained in these analyses is collected via a comprehensive agricultural attache reporting system, analyzed in a timely manner, and promptly reported to domestic producers, exporters, policymakers, the public and other interested users. Particular emphasis is placed on disseminating current information on foreign market situations and forecasting trends in foreign agricultural supply and demand.

Special studies are made on a country, area, foreign and world basis for assigned commodities to identify market opportunities, and determine the likely impact of competition from other commodities and countries on U.S. exports. Also, economic analyses are made covering weekly reports submitted by exporters showing their shipments to date and outstanding sales.

3. International Trade Policy - This program area conducts activities contributing to the following major objectives :

   a. Supporting bilateral representations focused on reducing trade barriers to U.S. agricultural exports and preserving concessions obtained in trade negotiations.

   b. Initiating and supporting work activities on trade and commodity issues that arise in international fora such as GATT, OECD, UNCTAD and FAO so as to facilitate U.S. agricultural exports.

   c. Administering U.S. agricultural import policies under Section 22 and other domestic legislation in ways which will, consistent with the purposes and requirements of the statutes, minimize the effects of U.S. import restrictions upon FAS efforts to expand U.S. agricultural exports.

   d. Participating in development of new U.S. legislation to facilitate U.S. exports or defend U.S. producers against unfair trade practices and harmful competition.

   e. Conducting analysis of the forces affecting trade in individual country markets and making such data available to interested U.S. exporters.

   f. Providing support to the United States Trade Representatives (USTR) in implementing results of trade negotiations and in managing domestic complaint mechanisms.

   g. Maintaining a Technical Office to help protect U.S. rights under the Standards Code, providing information on Code benefits, and helping citizens to comment on foreign proposals for new standards-related laws.

FOREIGN MARKET DEVELOPMENT - Provides funding so that industry groups working in concert with FAS, or FAS working alone, may conduct market development activities. The major objectives and applicable achievements are as follows:

1. Enabling U.S. producers and other sectors of the U.S. economy to jointly and systematically develop and expand overseas markets. In 1954, the Foreign Agricultural Service (FAS) was authorized to begin using foreign currencies generated by the Public Law 480 programs to finance overseas market promotion activities for U.S. farm commodities. Since that time, FAS has spent about $372 million to finance the foreign market development program, which has significantly contributed to the increase in U.S. farm exports from $3.1 billion in fiscal year 1955 to an estimated $32 billion in 1985. The program is jointly sponsored with nonprofit private trade and producer associations in this country (U.S. cooperators) who have generated an estimated $703 million in contributions to more than match the $372 million contributed by FAS.

   Currently, FAS participates with 47 cooperators, four state organizations (covering 47 states and 3 territories) and the National Association of State Departments of Agriculture in sponsoring continuous and long-term projects, 16 private industry firms on a contractual basis to promote brand name food items under the Export Incentive Program, and 24 private firms to promote value-added food items under the Value-Added Product Promotion Program, which was instituted in FY 1985. FAS also assists in the support of 61 permanently staffed cooperator offices overseas which conduct promotion activities in more than 100 foreign markets.

2. Conducting trade fairs, food exhibits, point-of-purchase activities, sales teams, operating an Agricultural Information and Marketing Service (AIMS) and providing other assistance designed to link potential buyers with U.S. exporters.

3. FAS has established fourteen Agricultural Trade Offices throughout the world (London, England; Hamburg, West Germany; Singapore; Seoul, Korea; Manama, Bahrain; Caracas, Venezuela; Lagos, Nigeria; Beijing and Guangzhou, the People's Republic of China; Tunis, Tunisia; Jeddah, Saudi Arabia; Algiers, Algeria; Baghdad, Iraq; and Istanbul, Turkey).

REPORTS COMMENCED DURING FY 1985

GAO Reports

Code 022905	Overview of the Dairy Surplus Issue--Policy Options for Congressional Consideration	Summary of dairy-related issues and the magnitude and nature of the dairy surplus problem.
Code 097712	Desirability of Moving Fish Export Development Promotion Programs From National Marine Fisheries Service, USDC to USDA	Desirability of moving subject program from NMFS to USDA.
Code 097714	Survey/Planning World Food/Agriculture Market and Trade Issues	Survey on U.S. competitiveness in marketing agricultural commodities.
Code 097714	Survey of Grain Standards	Survey - grain standards.

Code 483391	"The Difficulty of Quantifying Non-Tariff Measures Affecting Trade"	Examination of the effectiveness of the General Agreement on Tariffs and Trade.
Code 483411	Review of Administration of Bonus Incentive Export Program	Review of export enhancement program.
Code 483417	Survey of Foreign Bilateral Agricultural Agreements and Their Support of U.S. Competitiveness in the World Market	Survey - Foreign Bilateral Agricultural Agreements.
Code 483420	Survey of FAS Export Promotion and Foreign Market Development Programs	Survey of FAS-EP and FMD programs

OIG Reports

Hq-780-0	Nissho Iwai American Corporation, CA Export Sales Reporting Act Violations	Investigation - non-compliance with requirements of the Export Sales Reporting Act.
SF-780-1-D	Possible Violation of 7 USC 612c3 Reporting Requirements	Investigations - non-compliance with requirements of 7 U.S.C. 612c3.
50563-21-KC	A-110 Compliance Review--University of Missouri, Columbia, Missouri	Organization-wide audit report on the University of Missouri.
NY-799-28	Possible Violation of Sugar Re-Export Program	Investigation - sugar re-export program.
Wa-799-2	Alleged Fraudulent Drawback on Export	Investigation - drawback of sugar exports.

REPORTS COMPLETED DURING FY 1985

GAO Reports

Code 097691	U.S. Sweetener/Sugar Issues and Concerns	Survey of U.S. sweetener industry.
Code 307233	Importance and Impact of Federal Alcohol Fuel Tax Incentives	Review of incentives offered in the alcohol fuel development program.
Code 462522	Survey of Implementation of the Foreign Service Act of 1980	Survey of implementation of the Act and extent of compliance.

Code 472030	Review of U.S. Role in UN Organizational Budget Processes and Efforts to Restrain Budget Growth	U.S. role in the budget process of United Nations organizations.
Code 483391	"The Difficulty of Quantifying Non-Tariff Measures Affecting Trade"	Examination of the effectiveness of the General Agreement on Tariffs and Trade.
Code 97692	Public and Private Controls Help Ensure Fairness, Integrity and Efficiency in the U.S. Grain Marketing System	Survey of U.S. agricultural marketing system.

OIG Reports

Hq-701-28	Unknown Subject(s): Foreign Agricultural Service	Investigation of allegations that unidentified FAS personnel released protected information to a private exporting company.
Hq-780-0	Nissho Iwai American Corporation, CA Export Sales Reporting Act Violations	Investigation - non-compliance with requirements of the Export Sales Reporting Act.
SF-780-1-D	Possible Violation of 7 USC 612c3 Reporting Requirements	Investigation - non-compliance with requirements of 7 U.S.C. 612c3.
7099-3-Hy	Market Development of Value Added Commodities	Need to increase value-added exports.
50563-21-KC	A-110 Compliance Review--University of Missouri, Columbia, Missouri	Organization-wide audit on the University of Missouri.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $773,000 for Foreign Agricultural Affairs for increased operating costs ($21,752,000 available in 1986).

Need for Change. It is estimated that the overseas costs of operating and maintaining the current worldwide agricultural network for collecting, interpreting and analyzing marketing, economic and trade information from foreign areas will increase approximately 7.0 percent in FY 1987. Also included is $194,000 to be paid to the State Department for the FAS share of the cost of converting all foreign national positions to American contract positions in the U.S.S.R.

Nature of Change. The additional funding will be allocated to the overseas posts to offset expected wage and price increases for such items as foreign national salaries and benefits; payment to the Department of State for overseas administrative support, including the conversion positions in U.S.S.R.; housing and related costs for U.S. citizen employees; overseas allowances paid to U.S. citizens such as education, living quarters and post allowances; transportation costs associated with reassignment of personnel and program area coverage and miscellaneous expenses such as normal maintenance, training, supplies and materials.

(2) An increase of $77,000 for Foreign Market Information and Access to offset domestic non-pay inflation ($12,198,000 available in 1986).

(3) A net decrease of $11,971,000 for Foreign Market Development ($49,053,000 available in 1985) consisting of:

(a) An increase of $827,000 for Agricultural Trade Offices (ATO).

Need for Change. An increase in funding is necessary to continue the current level of services provided by the fifteen Agricultural Trade Offices established under the Agricultural Trade Act of 1978.

Nature of Change. The additional funding is needed to cover increased overseas costs resulting from annualization of operating expenses and inflation. These funds will be used to offset wage and price increases for such items as foreign national salaries and benefits; payment to the Department of State for overseas administrative support; housing, overseas allowances, and related costs for U.S. citizen employees, and transportation costs associated with reassignment of personnel and program area coverage.

(b) A decrease of $12,798,000 for foreign market development.

Need for Change. The FAS/Cooperator market development program is a jointly funded effort to expand U.S. exports, of which the FAS contribution represents approximately thirty percent. The pressing need to reduce Government spending, in order to reduce the Federal deficit, now requires a reduction in the level of FAS contributions to this program.

Nature of Change. FAS contributions to foreign market development activities will be reduced from 30 percent of the total combined effort to 20 percent.

Foreign Agricultural Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1985		1986		1987	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia	32,251,743	448	31,465,000	419	32,949,000	410
Overseas	50,589,062	276	51,538,000	271	38,933,000	271
SALARIES & EXPENSES (SPECIAL FOREIGN CURRENCY PROGRAM)	a/	--	a/	--	--	--
Total, Available or Estimate	82,840,805	724	83,003,000	690	71,882,000	681

a/ Obligations under this program were funded from unobligated balances brought forward from prior years.

FOREIGN AGRICULTURAL SERVICE

STATUS OF PROGRAM

Current Activities. The world economic situation continues to have a negative effect on international trade. Due to the strong dollar, increased world supplies and increased competition from abroad, the United States has suffered from dwindling agricultural exports.

Farm exports in fiscal year 1985 were $31.2 billion, down 18 percent from last year and 29 percent below the $43.8 billion record set in fiscal year 1981. Export volume was 125.8 million tons, down 12 percent from last year and 23 percent below the record of fiscal year 1980.

The Foreign Agricultural Service continues to operate and initiate programs to help slow and eventually reverse the current downward trend. FAS has increased the level of export credits, continued cooperator market development programs, expanded its trade offices, trade exhibits, and trade policy activity, and improved services for exporters.

To help stem the decline in exports, the new Export Enhancement Program commits $2 billion in the asset value of CCC-owned commodities during fiscal years 1985-1988 to enhance exports and to challenge unfair trade practices of competitor nations.

FAS signed project agreements with three new cooperators, the California Pistachio Commission, the California Wine Institute, and the National Pecan Marketing Council, bringing the total participating in the jointly-sponsored market development program to 47.

FAS opened three additional overseas agricultural trade offices in Guangzhou, China; Istanbul, Turkey; and Baghdad, Iraq.

The 18-month trial period for the Agricultural Information and Marketing Services (AIMS) project came to a successful end, increasing trade lead activity by more than one-third. User response has indicated that an estimated sales volume of $583 million was generated from AIMS trade lead services in a 12-month period. The AIMS project is now an on-going program.

A number of significant accomplishments in trade policy helped the U.S. agricultural trade situation. They included: resolution of technical barriers and progress toward reduction in tariffs affecting imports of U.S. wood and paper products in Japan; prevention of import restrictions on corn gluten feed and reversal of restrictive decisions on dried prune imports in the EC; voluntary restraints on Canadian exports to the United States of mill feed benefitting from transportation subsidies; negotiation of tariff cuts by Korea and Taiwan; and inclusion of measures in the U.S.-Israel free trade agreement that safeguard U.S. agricultural producers from injurious imports of perishable products.

To generate sales of value-added products, FAS, in cooperation with the National Association of State Departments of Agriculture (NASDA), helped plan and promote the National Food and Agriculture Exposition in Kansas City, Missouri, in April. FAS and NASDA are now preparing for the 1987 exposition, to be held April 29 to May 1, in Seattle, Washington.

Selected Examples of Recent Trends:

SUMMARY OF AGRICULTURAL TRADE

Statistical Highlights

U.S. Agricultural Trade - FY 1985. U.S. agricultural exports for fiscal year 1985 (October 1984 through September 1985) totaled $31.2 billion, 18 percent below fiscal year 1984. Export volume of 125.8 million metric tons was down 12 percent from the previous year's level of 143.6 million metric tons. U.S. agricultural imports, a record $19.8 billion in fiscal year 1985, were 5 percent above fiscal year 1984. The agricultural trade surplus for fiscal year 1985 was $11.4 billion, down $7.7 billion from fiscal year 1984, and was the lowest trade surplus since fiscal 1977.

U.S. Agricultural Trade, Fiscal Year 1981 - 1985
in Billion Dollars

	1980/81	1981/82	1982/83	1983/84	1984/85
Exports	43.8	39.1	34.8	38.0	31.2
Imports	17.2	15.5	16.4	18.9	19.8
Trade Balance	26.2	23.6	18.4	19.1	11.4
		--Million tons--			
Export Volume	162.3	157.9	144.8	143.6	125.8

A number of developments contributed to the decline in U.S. agricultural exports during the past year. Increased production in both importing and exporting countries in fiscal year 1985 reduced the demand as well as increased the competition for exports. China and India which were once net importers have become export competitors for corn and wheat respectively. The European Common Market increased its efforts to expand through export subsidies as surpluses of agricultural commodities accumulated there. Other factors which adversely affected U.S. agricultural exports in fiscal 1985 were; the sluggish growth in the world economy, the debt repayment problems in several countries, the high value of the dollar, and domestic price support levels which are not compatible with competitive positions in major markets.

Agricultural Exports:

Grain and feed exports for fiscal 1985 declined to $13.4 billion, down 23 percent from fiscal 1984. Export volume of 93 million metric tons was down 13 percent from 1984. Exports of wheat and corn were $4.4 and $5.8 billion, respectively, and accounted for nearly 51 percent of the decreased value of agricultural exports for 1985.

Soybean and soybean product exports for fiscal 1985 were valued at $5.3 billion, down 29 percent from the previous year, while export volume was 21.8 million tons, down 13 percent.

Cotton exports of $2.0 billion were 17 percent below 1984. Export volume was down 13 percent to 1.3 million metric tons. Exports of livestock and products decreased in 1985 by 6 percent from 1984 with a value of $3.3 billion.

Japan and the Soviet Union headed the list of the "Top 10" foreign markets for U.S. agricultural products in fiscal year 1985 at $5.7 and $2.5 billion, respectively. The "Top 10" markets accounted for nearly 59 percent of the total U.S. agricultural exports for fiscal 1985, but declined by nearly $3.5 billion from 1984's level. The decline in U.S. agricultural exports to the top 10 markets accounted for nearly 51 percent of the total decline in agricultural exports for 1985. Japan had the largest decline of these markets decreasing from $6.9 billion in fiscal 1984 to $5.7 billion in 1985.

TOP TEN U.S. AGRICULTURAL EXPORT MARKETS

	FY 1984 $Billion	FY 1985 $Billion	% Change
Japan	6.91	5.65	-18
Soviet Union	2.48	2.45	-1
Netherlands	2.19	1.91	-13
Canada	1.91	1.70	-11
Mexico	1.96	1.57	-20
Korea, Republic of	1.82	1.40	-23
China(Taiwan)	1.41	1.34	-5
Germany, Fed. Rep. of	1.26	.90	-29
Spain	1.19	.77	-35
Egypt	.84	.76	-10

Agricultural Imports:

U.S. agricultural imports were a record $19.8 billion in fiscal year 1985, up 4 percent from fiscal year 1984's $18.9 billion, and 14 percent above the previous high of $17.2 billion in fiscal year 1981. Import volume for fiscal year 1985 was 19.7 million tons, up 9 percent from fiscal year 1984's level.

Sugar and tropical product imports for fiscal 1985 decreased by 2 percent from 1984. Coffee imports of $3.2 billion decreased 2 percent from fiscal 1984's level of $3.3 billion. Sugar and sweetener imports were down nearly $184 million for fiscal year 1985. Imports of rubber and allied gums were down sharply to $680 million, nearly $174 million below fiscal 1984's level.

Horticultural product imports were valued at $6.3 billion, 13 percent over fiscal 1984 and accounted for nearly 83 percent of the increase in U.S. agricultural imports for 1985. Fruit juice imports were up $325 million, while fresh fruit and edible nut imports increased by $180 and $23 million respectively.

Oilseed product imports for fiscal 1985 decreased by nearly $16 million. Palm and coconut oil imports declined nearly $26 million, while palm kernel oils increased to $103 million up 30 percent over fiscal 1984's level.

Livestock product imports increased to $3.3 billion in fiscal 1985 up 8 percent over 1984's level. While beef and veal, and furskins increased 11 percent respectively to $1.3 billion and $166 million, wool imports decreased 27 percent to $131 million.

Table 1: Value of U.S. Agricultural Exports, Imports and the Agricultural Trade Balance.

	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
	(BILLION DOLLARS)				
Grains and Feeds	21.9	17.6	15.2	17.4	13.4
Wheat and Flour	(8.0)	(7.6)	(6.2)	(6.7)	(4.4)
Coarse Grains 1/	(10.5)	(7.0)	(6.6)	(8.2)	(6.9)
Corn 2/	(8.9)	(6.0)	(5.7)	(7.0)	(5.8)
Rice	(1.5)	(1.1)	(.9)	(.9)	(.7)
Oilseeds and Products	9.4	9.7	8.9	8.8	6.4
Soybeans	(6.0)	(6.5)	(5.8)	(5.7)	(3.9)
Soybean Cake and Meal	(1.6)	(1.4)	(1.4)	(1.2)	(.8)
Soybean Oil	(.5)	(.5)	(.5)	(.6)	(.6)
Livestock and Products	3.1	3.2	3.0	3.5	3.3
Poultry and Products	.8	.6	.4	.4	.4
Dairy Products	.2	.4	.4	.4	.4
Horticultural Products	3.1	2.8	2.7	2.6	2.6
Tobacco	1.3	1.5	1.5	1.4	1.6
Cotton and Linters	2.3	2.2	1.7	2.4	2.0
Seeds	.3	.3	.3	.3	.3
Sugar and Tropical Products	1.4	.8	.7	.8	.8
Total Exports	43.8	39.1	34.8	38.0	31.2
Total Imports	17.2	15.5	16.4	18.9	19.8
Trade Balance	26.6	23.6	18.4	19.1	11.4

1/ Includes corn, oats, barley, sorghum and rye.
2/ Excludes products.
NOTE: Totals may not add due to rounding.
SOURCE: Outlook for U.S. Agricultural Exports.

Table 2: Volume of Selected U.S. Exports and Total Export Volume

COMMODITY	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
	(THOUSAND METRIC TONS)				
Wheat	42.2	44.7	36.7	41.7	28.5
Flour	.9	.7	1.5	1.1	.8
Coarse Grains 1/	69.4	58.2	53.8	55.5	55.3
Corn 2/	(59.4)	(49.6)	(47.1)	(47.0)	(46.3)
Feeds/Fodders Ingr.	5.8	6.0	7.0	6.8	6.4
Rice	3.2	2.9	2.3	2.3	2.0
Soybeans	20.0	25.5	24.6	19.3	16.6
Soybean Cake and Meal	6.1	6.3	6.5	4.9	4.5
Soybean Oil	.7	.9	.9	.8	.7
Other Oilcake & Meal	.4	.3	.2	.2	.1
Beef/Pork/Variety Meats	.4	.4	.4	.4	.4
Poultry Meat	.4	.3	.3	.2	.2
Animal Fats	1.5	1.5	1.4	1.4	1.2
Tobacco	.2	.2	.2	.2	.3
Cotton and Linters	1.3	1.6	1.2	1.5	1.3
Horticultural Products	3.4	3.1	3.0	2.8	2.7
Other 3/	6.4	5.3	4.8	4.5	4.8
Total Exports 4/	162.3	157.9	144.8	143.6	125.8

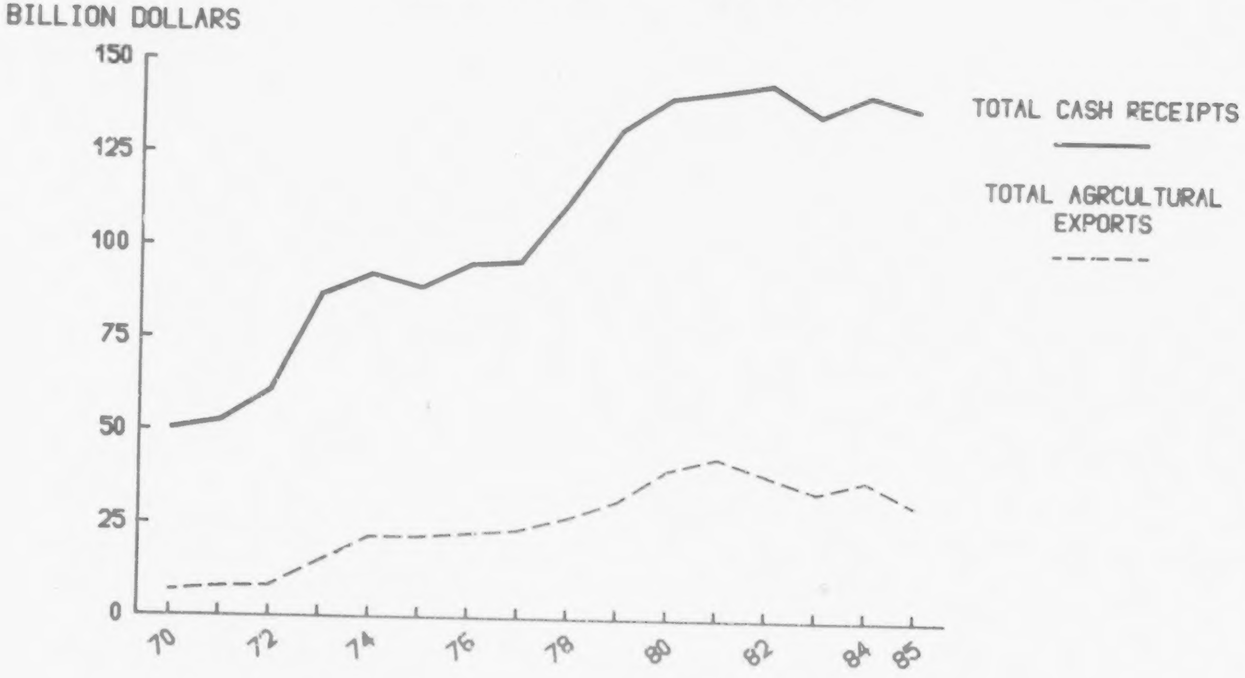
1/ Includes corn, oats, barley, sorghum, and rye.
2/ Excludes products.
3/ Actual for all years.
4/ Includes only those commodities measured in metric tons.
NOTE: Totals may not add due to rounding.
SOURCE: Outlook for U.S. Agricultural Exports.

Table 3: U.S. Agricultural Exports: Value by Region, Fiscal Years 1981 - 1985

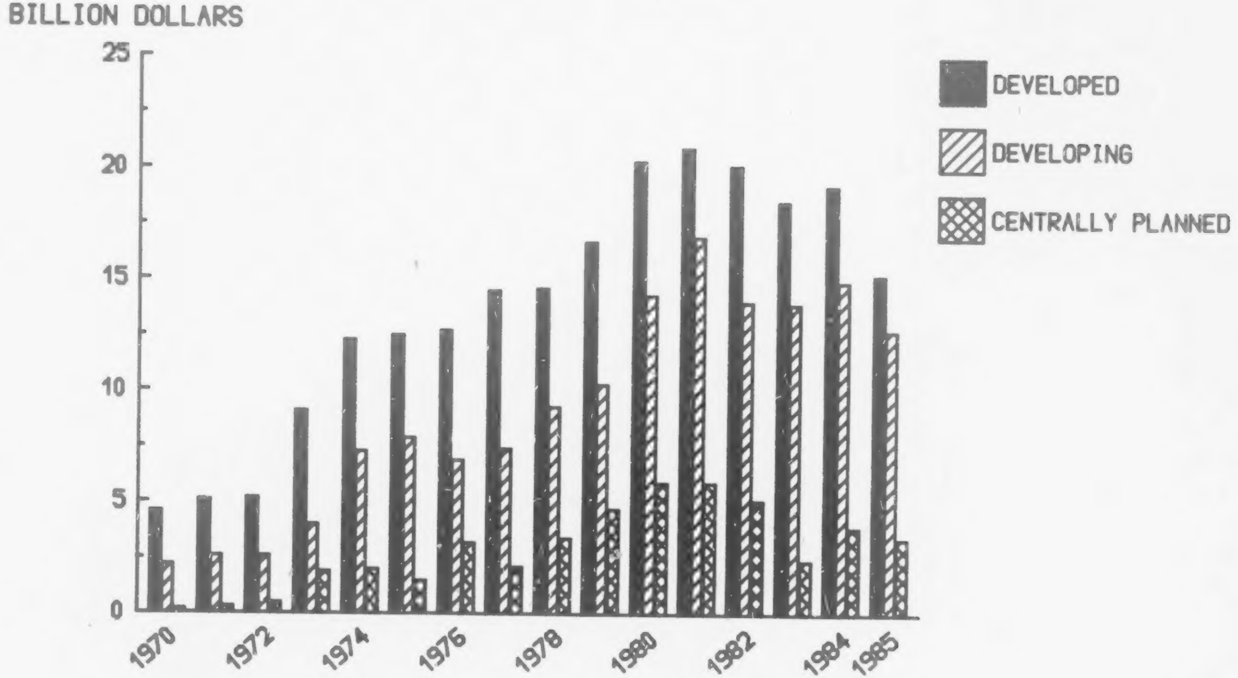
Region 1/	1981	1982	1983	1984	1985
	--Billion Dollars--				
Western Europe	11.82	12.17	10.15	9.26	7.10
European Comm 2/	(8.92)	(8.88)	(7.63)	(6.72)	(5.30)
Other Western Europe	(2.90)	(3.28)	(2.52)	(2.55)	(1.80)
Eastern Europe	2.06	.92	.82	.74	.60
USSR	1.71	2.32	.98	2.51	2.45
Asia	16.13	14.14	13.58	15.21	11.98
Middle East 3/	(1.78)	(1.49)	(1.48)	(1.86)	(1.50)
South Asia 4/)	(.60)	(.72)	(1.17)	(.87)	(.62)
Southeast & East Asia 5/)	(4.83)	(4.38)	(4.50)	(4.85)	(3.98)
Japan)	(6.74)	(5.73)	(5.88)	(6.93)	(5.65)
China)	(2.18)	(1.82)	(.55)	(.69)	(.23)
Canada	2.14	1.87	1.88	1.94	1.70
Africa	2.84	2.45	2.27	2.87	2.55
North Africa 6/	(1.51	(1.39	(1.45	(1.54	(1.23)
Sub-Sahara Africa	(1.33	(1.05	(.82	(1.33	(1.32)
Latin America	6.87	4.93	4.86	5.28	4.61
Mexico	(2.73)	(1.48)	(1.77)	(1.97)	(1.58)
Central America & Caribbean)	(1.18)	(1.11)	(1.13)	(1.22)	(1.17)
South America)	(2.96)	(2.33)	(1.95)	(2.10)	(1.86)
Oceania	.21	.29	.23	.21	.20
TOTAL	43.78	39.09	34.77	38.03	31.20
Developed Countries 7/)	(20.92)	(20.07)	(18.51)	(19.18)	(15.20)
Less Developed Countries)	(16.92)	(13.96)	(13.90)	(14.91)	(12.60)
Centrally Planned Countries)	(5.94)	(5.06)	(2.36)	(3.94)	(3.40)

1/ Data are adjusted for transshipments through Canada and Western Europe.
2/ Includes Greece.
3/ Turkey, Cyprus, Syria, Lebanon, Iraq, Iran, Israel, Jordan, Gaza Strip, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Yemen (Sana), Yemen (Aben), Oman, and Bahrain.
4/ Afghanistan, India, Pakistan, Nepal, Bangladesh, and Sri Lanka.
5/ Mongolia, Burma, Thailand, Vietnam, Laos, Malaysia, Singapore, Indonesia, Brunei, Philippines, Macao, Korea, Hong Kong, China, Taiwan, and Cambodia.
6/ Morocco, Algeria, Tunisia, Libya, and Egypt.
7/ Western Europe, Japan, Canada, and Oceania.
SOURCE: Outlook for U.S. Agricultural Exports.

AGRICULTURAL EXPORTS AND CASH RECEIPTS
FROM FARM MARKETINGS
FISCAL YEARS, 1970-1985



U.S. EXPORTS
FISCAL YEARS



FOREIGN MARKET DEVELOPMENT

The Foreign Market Development Program, the purpose of which is servicing the expanding commercial export markets, is conducted in cooperation with more than 130 U.S. agricultural firms, producer groups, and States' agricultural departments. Virtually every U.S. farm product entering world trade is promoted by one of the market development activities which reach over 115 nations. Export promotional activities, jointly financed witr cooperator groups, include trade servicing, training and education programs, seminars, demonstrations, international trade exhibits, advertising, merchandising and trade missions both to and from the United States. In addition to conducting its own trade shows and providing other assistance designed to link potential buyers with U.S. exporters, FAS now also operates the Agricultural Information and Marketing Services (AIMS), a new project inaugurated in April 1984, to bring market information to the public by providing computerized trade leads and other market services to exporters of food and agricultural products. Besides exploring new export possibilities, FAS also helps meet the continuing need to service existing markets.

A. Objective: Work Jointly with Market Development Cooperators to Expand Markets for U.S. Agricultural Commodities and Food Products.

1. Full Fat Soybeans Used for Profitable Swine Production in Mexico. In 1983, the American Soybean Association (ASA), in cooperation with the Foreign Agricultural Service, began swine feeding trials to demonstrate that modern management practices could improve body condition and litter liveweight and increase profitability. Profitable swine production in the state of Veracruz has been inhibited by the use of low energy density feeds, as well as the tropical climate, with only an estimated 15 percent of 1.2 million pigs efficiently managed. Raw or extruded soybeans were used as feed for both growing-finishing pigs and gestating and lactating sows. The result of these feeding trials was a new market for soybeans, with an initial sale of 63,000 metric tons in 1985, and future growth estimated at 15 percent annually.

2. Value-added Soybean Meal Protein Supplement Developed in Japan. Japanese feed manufacturers have traditionally marketed a complete commercial feed, and on-farm feed mixing was non-existent. Analysis of these complete feeds indicated they lacked optimum protein levels for livestock development. The American Soybean Association (ASA) in cooperation with the Foreign Agricultural Service conducted least cost formulation workshops for feedmills and livestock producers in 1982 and 1983 to illustrate the profitability of soy protein supplements. ASA also formed a partnership in 1984 with a feed manufacturer and developed a value-added soybean meal supplement. The company sales are estimated at 12,000 metric tons in 1985 and two other feed manufacturers have started to market the value added supplements to fill a potential demand for 500,000 metric tons of soybean meal.

3. National Peanut Council (NPC) Retail Promotion in the Netherlands Pays Off. Since the opening of NPC's Rotterdam office, market development activities aimed at retailers in the Netherlands have been intensified. Contacts have been made with peanut purchasing managers with the objective of providing these decision makers with first hand information on the quality and performance of U.S. peanuts. As a result, a number of retail chains have begun to specify U.S. origin peanuts for their own-label packs, and NPC in cooperation with the Foreign Agricultural Service has begun several U.S. identified peanut promotions with chain stores. The second largest retail chain in the Netherlands exceeded peanut sales targets by 35 percent after they switched to U.S. runner peanuts and identified the U.S. origin on the pack. U.S. exports of shelled peanuts to Holland increased 19 percent in marketing year 1984/85 to 55,000 metric tons (shelled basis), compared with 46,000 in 1983/84 as processors were obliged to switch to U.S. peanuts from other origins to meet consumer demands in this quality conscious market.

4. "Peaches 'n Cream" Helps Promote Cling Peaches in Japan. The California Cling Peach Advisory Board (CCPAB), in conjunction with two major dairy companies, conducted a joint promotion in Japan in the spring of 1985. Seven hundred supermarkets, representing six different large chains participated in the promotion, along with over 400 independents and small chains. Weekend demonstrators sampling the two products were made available to many stores, and dairy companies contributed tickets for free yogurt to many Japanese housewives. Sales of California canned cling peaches and canned fruit cocktail at the chain level showed increases ranging from 150 to 256 percent. The cross merchandising of cling peaches and yogurt was so successful that both the chains and dairy companies wish to repeat the promotion.

5. California Raisin Advisory Board (CALRAB) Increases Sales of California Raisins in Japan. This year's URBANDAI Cross Country ski meet, held on March 3, 1985, attracted a total of 1,897 skiers and generated considerable newspaper and television coverage. Some 1,500 supermarkets and 2,000 bakery retail outlets conducted in-store promotions tied to the event, and sales of consumer pack raisins in participating stores reached almost 432,000 pounds during the promotion period. The bakery outlets displayed posters and offered literature related to California raisins and increased sales of raisin bread representing approximately 49,000 pounds of raisins. This event, in conjunction with other marketing and promotional activities in Japan, has helped to make Japan our largest export market with sales of 22,188 tons in crop year 1984/85, up 32 percent from 1983/84.

6. California Table Grape Commission (CTGC) Extends Market in Panama. Most exports of table grapes to Panama have occurred during the month of December, when holiday traditions call for fresh grapes. Since consumers seemed to regard grapes as a holiday speciality item, demand during the rest of the year was low and showed little potential for a significant increase. In FY 1985, the CTGC launched a campaign to increase demand for U.S. grapes during the fall. Television ads, supported by newspaper inserts, were broadcast during the months of September, October and November. The results were quick and dramatic, with shipments of table grapes to Panama during the three target months increasing 78 percent over 1984. Total shipments of 1,810 metric tons set a new record for Panama.

7. Sunkist Oranges Brighten Japanese Breakfasts. During the 1984-85 season Japan's quota for oranges was increased, and the outlook for orange exports seemed promising. The California-Arizona citrus industry, however, had a crop of relatively small oranges, and the Japanese trader and consumer traditionally prefer large fruits, associating size with quality. Sunkist turned this challenge into an opportunity with the support of the Market Development Program. Breakfast habits among Japanese consumers are changing and many now prefer western style breakfasts, which include freshly squeezed orange juice. Advertising and promotional programs were undertaken to encourage Japanese consumers to purchase small imported oranges for juice; in addition, Sunkist was able to extend the promotion of small oranges into the fast food industry through a joint promotion with Kentucky Fried Chicken. As a result, Sunkist sales of oranges in Japan during the 1984-85 season increased to 3,250,000 cartons from 2,422,000 cartons during the prior season.

8. U.S. Wheat Associates (USWA) Helps Maintain Japanese Wheat Market. In 1983, virtually the entire Western White (WW) wheat crop in the Pacific Northwest was affected by a freak sprout damage problem. Because of the nature of the products made with this type of wheat, very little sprout damage is acceptable to Japanese end users. When the problem with the 1983 crop was discovered, the Japanese milling industry was sufficiently concerned to ask the Government Food Agency to restrict imports of U.S. WW and increase imports from Australia. To counter this move, USWA organized a team of Food Agency officials and flour millers to visit the United States to discuss the problem with producers, exporters, and USDA officials and seek their cooperation in finding a solution. As a direct result of this activity, and the consequent full understanding of the problem by the U.S. wheat industry, every effort was made to locate and ship the best possible WW available. At the same time, USWA representatives in Tokyo and

the American Embassy maintained a constant dialogue with the Food Agency and millers and helped assure the Japanese that the United States was genuinely concerned and resulted in the millers doing everything possible to utilize the sprout damaged 1983 WW crop until 1984 wheat crop became available in late 1984.

9. USWA Counters Strong Competition in Jordan. In late 1984, Jordan reduced purchases of U.S. wheat as the result of an influx of wheat shipments from Argentina, Uruguay, the EEC and Yugoslavia at prices far below those of the U.S., as well as severe economic problems. In an effort to maintain this market, USWA invited a high level trade team from the Jordanean Ministry of Supply to the United States to meet with grain exporters and with USDA representatives to discuss grain inspection and the availability of credit. Consequently, a subsequent tender for 50,000 tons of U.S. wheat was made, and Jordan, continuing its traditional purchasing pattern, imported an additional 400,000 tons of wheat from the U.S.

10. USWA Saves Taiwan Wheat Market In early 1985, the Government of Taiwan's plan to sign a long term agreement with Uruguay to import nearly 70,000 metric tons of wheat threatened U.S. wheat sales in that country. USWA took advantage of its close working relationship with the wheat industry in Taiwan, developed over many years of market development cooperation, to dissuade the government from signing the agreement. The goodwill developed with the Taiwan flour millers has paid off; the agreement which was to have been signed in February or March of 1985 was not signed, and the U.S. share of the Taiwan wheat market has been preserved.

11. U.S. Feed Grains Council (USFGC) Helps Increase Sales of U.S. Corn to Nigeria. In addition to the problems caused by the strong U.S. dollar and subsidized competition, U.S. exporters often experience difficulties in establishing trade relations with developing countries. Using contacts developed through the cooperative effort of USFGC and the Agricultural Trade Office in Lagos, a U.S. trading company was able to establish a working relationship with Nigerian feed manufacturers, its poultry association, and its grain board. This resulted in an initial sale to Nigeria of 90,000 bushels of U.S. corn and 4,000 bushels of soybean meal. The company has now sold a total of 50,000 tons of U.S. feed grains, and estimates its 1985 final sales at $50 million, with exports of 50,000 tons of U.S. corn alone.

12. Improvements in Korea's Swine Breeding Result in Larger Feed Grain Market. South Korea lacked the technology needed to improve swine production and increase per capita consumption of red meat. By providing a series of comprehensive consultations, seminars and technology exchanges on the development of an effective swine testing program, the USFGC assisted the Korean Swine Association in establishing the first national swine testing station in Korea. The station held monthly auctions of tested pigs, with the average price about $630 per pig compared with the untested pig market price of $400. This expanding swine industry has led to an increase in use of feed grains from 201,000 metric tons at the start of the program in 1977 to 1,255,000 tons in 1985. Approximately 90 per cent of the feed grains used for the program during this period was imported from the U.S., at a value of about $777 million.

13. U.S. Feed Grains Council Education Program On Alternative Feed Sources Increase U.S. Market Share Of Sorghum Exports. Through coordinated use of its overseas and domestic market development team, the USFGC began an intense education program aimed at demonstrating a least-cost ration formula that would provide for use of alternative feed grains within certain pricing and nutrition parameters. Feed grains buyers were encouraged to use a least-cost ratio formula in determining their purchasing needs using information from the USFGC programs. Because sorghum is a price-sensitive commodity, it was readily substituted in two significant markets, Japan and Venezuela. U.S. sorghum exports to Japan in the first 11 months of the 1984/85 marketing year increased from 1.5 to 2 million tons; during the same period in Venezuela the increase has been even more substantial, from 206,400 to 854,700 tons to date. Total exports of U.S. sorghum in 1984/85 were 7.3 million metric tons, compared with 6.2 in 1983/84.

14. India Remains Large Export Market for U.S. Dry Peas. India is currently the largest importer of U.S. dry edible peas, accounting for 24 percent of total exports, but market growth has been restricted by competition from Canada, Australia, and New Zealand, lack of product awareness, and lack of market distribution and product identification. To overcome these constraints, the USA Dry Pea and Lentil Council (USADPL) has conducted a number of activities including seminars, trade advertising, and product use demonstrations to show the superior quality of U.S. peas. In addition, a product identification campaign is now underway to stimulate retail size packaging. Shipments in 1984-85 increased 37 percent over the previous marketing year, to 27,714 metric tons valued at $8.3 million. Since pulses were placed under open general license by the Indian Government in 1978, this market has shown continuous growth and both U.S. exporters and Indian importers think this market will continue to grow if prices remain competitive and market development work is continued.

15. U.S. Holsteins Arrive in the People's Republic of China (PRC). The U.S. has exported the first shipments of U.S. Holsteins to the PRC in over forty years, through the efforts of the Holstein-Friesian Association of America (HFAA), which has conducted market development activities there since 1979. In cooperation with FAS, the HFAA has conducted technical seminars, sponsored Chinese dairy study teams to the U.S. and trainees on American Holstein dairy farms, and continued its market research in one of the world's largest potential markets for dairy genetics. The results of these combined efforts are encouraging. More than 1,200 head valued at over $2 million have been imported, and sales of U.S. Holstein semen and embryos are expected following successful negotiation of PRC import health regulations. As a result of past market development activities, the HFAA has developed a trusted relationship with key dairy leaders in the PRC which will insure future sales.

16. U.S. Holstein Exports to South America on the Rise. Increasing dairy production in Ecuador and Peru have created a demand for imports of both dairy cattle and genetics. The HFAA has capitalized on this opportunity to increase exports of U.S. Holsteins to those countries. An U.S. Holstein judge was provided in response to an invitation from the Ecuador National Holstein show, giving HFAA an opportunity to demonstrate Holstein judging techniques and to attain visibility among potential importers. Official Holstein classifiers were sent to both Peru and Ecuador providing local dairy cattle breeders with an opportunity to learn more about evaluation techniques and genetic improvement programs, and were successful in increasing the acceptance of U.S. Holstein genetics in those countries. Foreign competition in this area has been strong and quite effective, and these activities have dispelled many misconceptions that have hindered exports of U.S. Holsteins. As a result, exports have increased dramatically. During the first six months of 1985, shipments to Ecuador totalled 102 head, compared with 18 head in all of 1984. In Peru, where there have been no sales for the past three years, nearly 1,200 head of cattle, valued at $1.6 million were exported from January through June of 1985.

17. Venezuela Becomes U.S. Market for Feed Grains and Dairy Cattle Through Multi-Cooperator Dairy Development Program. Early in fiscal year 1985, the Venezuelan Agricultural Credit Fund, private milk companies and producer organizations agreed to actively participate in a long-term dairy development program jointly conducted by six market development cooperators. Coordinated by the USFGC and co-sponsored by the American Soybean Association, National Renderers Association, Brown Swiss Cattle Association, National Association of Animal Breeders and the Holstein-Friesian Association of America, this approach to market development has enabled cooperators to obtain maximum benefits. Technical seminars were conducted quarterly on selected dairy farms in different areas of the country, with topics selected by a consensus of the FAS and third party cooperators. Programs and practical demonstrations led to nutrition, reproduction, sanitation, and farm management improvements on four demonstration farms. As a result of this innovative program, Venezuela purchased 20 percent of all U.S. dairy cattle sales in fiscal year 1985, with sales of 5,000 head of U.S. Holsteins valued at $8 million in the first six months of 1985 alone. In addition, the new

Venezuelan dairy industry requires about 400,000 additional metric tons of feed grains annually, and Venezuela is now the second largest market of U.S. frozen semen. Successful technology transfer is a proven method to build greater buyer confidence and satisfaction leading to repeat sales for U.S. exporters.

18. U.S. Wool Exports Respond to Promotion. In October 1984, FAS and the National Wool Growers Association (NWGA), a new cooperator, conducted a wool processing study in three European markets. Officials of the NWGA shipped nearly 40,000 pounds of wool from Texas, New Mexico and Wyoming to Auchel, France, Bradford, England, and Biella, Italy, where it was processed, evaluated and sold through normal commercial channels. As a result, exports of U.S. wool to Europe through August 1985 totalled 591 metric tons, more than three times the 144 metric tons exported over the same period in 1984. In addition, the European buyers have been actively bidding on additional lots of wool resulting in higher returns to U.S. wool growers as well as increased exports.

19. Food Plant Consultations and Demonstrations Create Demand for U.S. Edible Tallow. From 1983 through 1985, the National Renderers Association, Inc. (NRA) conducted an educational program in Hong Kong, Korea and Thailand on the uses of edible tallow. A new generation of managers and technicians in bakeries and instant noodle factories in those countries were unaware of the outstanding characteristics of tallow for use as a major ingredient in shortenings for frying and that tallow is often less expensive than palm oil, which was in use for baking and frying. As a result of these activities, which included in-plant demonstrations by U.S. consultants, and an Asian food producers team visit to the United States many of these users switched to U.S. tallow as a major ingredient of their shortenings when palm oil prices greatly increased in 1984. In Korea alone, tallow imports for food use increased 65 percent from 36,493 metric tons in 1983 to 60,300 metric tons in 1984, valued at an estimated $9.6 million for U.S. exporters. More important, when prices equalized the majority of users continued to use U.S. tallow rather than return to palm oil.

20. Trade Calls and Technical Publications Rebuild Taiwan Confidence in U.S. Meat-and-Bone Meal: Exports Hit Record Levels. During the 1980's, a few shipments of adulterated protein meals to Taiwan feedmillers adversely affected the ability of the majority of responsible U.S. suppliers to sell meat-and-bone meal (MBM) to Taiwan. To counteract the situation, the NRA, through its market development program, undertook frequent trade calls on government officials, feedmillers, importers and poultry growers in Taiwan, following up with systematic distribution of technical literature regarding the nutritional values and proper handling of good quality U.S. MBM. These efforts were in part responsible for the 58 per cent increase in U.S. MBM exports to Taiwan from 1983 to 1984, reaching a record 97,236 metric tons with a total f.o.b. value exceeding $23 million in FY 1985.

21. "Hand Washing Campaign" in Korea Spurs Use of Tallow-Based Toilet Soaps. Since 1980, the NRA has co-sponsored a hand-washing campaign, in cooperation with the Korea Soap Industrial Cooperative, Inc., and the Korean Ministry of Health and Social Affairs. Over 90 Korean schools apply annually to participate in this campaign, designed to promote the hygienic benefits of the regular use of toilet soap among Korea's primary school children. Of the 90 schools, 30 are chosen which represent a cross-section of over 10,500 Korean students. Over the past 4 years, the use of toilet soaps has increased sufficiently to raise Korea's total production to 25,677 metric tons in 1984, up 33.8 percent from 19,192 metric tons in 1980. This increase in soap production has led in turn to a 21.4 percent rise since 1980 in Korean tallow imports to 174,234 metric tons, of which 55.6 percent or 98,605 metric tons came from the United States.

22. France Makes First Major Purchase of American Quarter Horses. Until early in 1984, the American Quarter Horse was a relatively unknown breed in France. French law prohibited their entry directly from the United States, and what few Quarter horses there were had been imported from other countries. When the law was changed in 1984, the American Quarter Horse Association (AQHA) began a series of promotional activities to educate French horse enthusiasts about the qualities of Quarter horses. In August of that year, a team traveled to France to conduct clinics and promote American Quarter horses, and in fiscal year 1985, 15 head at a value of $225,000 were exported directly from the United States to France.

23. Australia Again Makes Major Purchase of American Quarter Horses. Sales of American Quarter Horses to Australia had declined sharply over the last 5 years but are on the rise again through the efforts of the American Quarter Horse Association (AQHA). When Australians stopped traveling to the United States for new breeding stock, AQHA began sending technicians to Australia each year to evaluate the Quarter horses there. These technicians informed the Australian breeders of the quality of American Quarter horses available in the United States and how these horses could help improve the quality of Quarter horses in Australia, which is difficult without the introduction of new bloodlines. As a result, an Australian buying team visited the United States earlier in fiscal year 1985 and purchased 12 American Quarter horses from some of the best bloodlines available. This was the largest number of American Quarter horses exported to Australia in one shipment since 1980.

24. USA Poultry and Egg Export Council (USAPEEC) and McDonald's Join Forces to Promote U.S. Eggs in Hong Kong. In November 1984, the USAPEEC joined with McDonald's for a joint promotion in Hong Kong Island, Kowloon Peninsula and the New Territories. The campaign was designed to introduce McDonald's breakfast items which feature U.S. eggs--Egg McMuffin, Sausage McMuffin with egg, Big Breakfast, and Hot Cakes and Eggs--to the Hong Kong consumer. USAPEEC worked closely with the McDonald's management and advertising agency in developing the complete program, which began on November 19 and continued until December 1984. Activities included point-of-sale materials and television commercials specifically promoting U.S. Grade A eggs, and during this period 1,948,251 pieces of U.S. eggs were sold. According to the senior management of McDonald's in Hong Kong, the promotion and the results were the most successful they have ever achieved when introducing a new product into their outlets. The introduction to the Hong Kong Chinese of a new way and time of day to eat eggs has created a new market for U.S. eggs and this promotion has successfully created among the Chinese an image of U.S. eggs as high-quality, high-protein food at a low price.

25. The National Association of Swine Records (NASR) Places U.S. Purebreds in New Mexican Breeding Project. Increased competition from other exporting countries and a lack of credible clearinghouse organizations in the United States have contributed to a decline in swine exports to Mexico, traditionally a solid customer for U.S. breeding stock. A series of seminars conducted by NASR in November 1984 addressed these specific issues and allowed the NASR to make valuable industry contacts and resulted in a June 1985 shipment of 290 head of Spots, Yorkshires, Hampshires and Durocs by the city government of Mexico City. The NASR has applied the same techniques to other activity countries and the results have increased overall U.S. swine exports. For the period January through August 1985 period, exports increased by 3,456 head compared with the same period in 1984.

26. U.S. Beef Breeds Council (USBBC) Promotes U.S. Cattle and Genetics. Through the promotional activities of the USBBC and its affiliates, exports of U.S. cattle increased from 6,425 head valued at $6,644,921 during the period January-August 1984 to 23,706 during the same period in 1985, valued at $26,632,502. Mexico was by far the leading market for U.S. Brangus cattle, with 1985 imports valued at an estimated $1,500,000. Substantial sales and headway were experienced in other markets. Through the promotional efforts of the American Polled Hereford Association, Australia has grown from a closed market to

the second largest export market for U.S. beef cattle and genetics, with 80 live cattle purchased to date in 1985, at an average price of $10,000 per head. The Beefmaster Breeders Universal has conducted international marketing activities primarily in Latin America, generating considerable interest and paving the way for potential sales. The USBBC in fiscal year 1985 had scheduled 67 activities in 23 countries. including seminars, judging, ranch visits, advertising, market maintenance, meeting government officials and industry representatives, participating in livestock shows (both international and domestic), conducting field days and performing classification services.

27. Increasing U.S. Variety Meat Sales to the European Economic Community (EEC). The U.S. Meat Export Federation (USMEF) undertook a series of activities to rebuild the market for U.S. variety meats in the EEC following several years of declining sales. Color brochures and purchasing guides on U.S. variety meats were distributed to European consumers and the meat trade. Special advertising was featured prominently in the United Kingdom's leading meat trade publication which is circulated to more than 12,000 readers in the United Kingdom and continental Europe, and information on U.S. variety meats and potential suppliers was circulated through USMEF's quarterly newsletter for the European and Middle East meat trades. In-store promotions and trade seminars featuring variety meats were conducted, as well as a research project on the French market for imported variety meats which detailed the consumer's perception of variety meats, and distribution and pricing systems. As a result of these actions, U.S. variety meat sales to the EEC during the first 6 months of 1985 totalled more than $42 million, an increase of 13 percent over the same period during the previous year.

28. Developing Mexico's Market for U.S. Variety Meats. Mexico is the fourth leading importer of U.S. variety meats, but the country's import system is complicated, and without constant study and monitoring, the United States could easily lose market share. The U.S. Meat Export Federation (USMEF) has appointed a consultant in Mexico City to monitor the variety meat import situation, and undertaken activities to maintain the Mexican market. Activities conducted during FY 1985 include trade servicing trips by USMEF members, a multi-lingual purchasing guide, a Mexican industry delegation visit to the United States to inspect U.S. production and meat packing facilities, and a variety meats tasting luncheon for major importers, retailers and hotel/restaurant representatives in Mexico City. As a result of these activities, Mexico has increased its imports of U.S. variety meats. During the first 6 months of 1985, Mexico imported $17.4 million of beef and $4.9 million of pork variety meats, an increase of 92 and 125 percent respectively, over the same period in 1984.

29. Softwood Lumber Associations Overcome British Building Standards Issue. In early 1985, when the U.S. Air Force accepted bids for approximately 600 homes for its personnel in the United Kingdom, a conflict arose between requirements of both the U.S. and British governments. Congress requires that such houses contain U.S. manufactured components, however the Property Services Agency (PSA), a British Government body which acts on behalf of the U.S. Government, requires that these buildings meet British building standards, under which U.S. joinery and structural timber were not allowed. Meeting with the PSA, the Southern Forest Products Association/Western Wood Products Association (SFPA/WWPA) representative in London presented the technical specifications for American softwood timber and other softwood products, and the conditions under which they should be used, and consequently was asked to submit suggested changes in the specifications. As a result, the PSA changed the specifications to the extent that only American timber and home-grown British species were cited for both joinery and structural use, and American wood products were used in the construction of the housing project, which was valued at nearly $22 million.

30. Denmark Approves CDX Plywood Use in "Cold Roof" Construction Although Danish authorities approved the other American Plywood Association (APA) grades of plywood for "cold roof" construction, they did not recognize the APA CDX grade--the most common grade of plywood produced in the United States. This severely limited American plywood from the Danish roof market. The APA representatives put significant effort into convincing Danish officials of the quality and performance reliability of American CDX plywood. In meetings with representatives of the Ministry of Housing, up-to-date testing data from the APA Research Center in Tacoma, Washington, was provided, and the American building standards under which CDX plywood is employed were explained and discussed. In 1985, the Danish Government approved 1/2 inch, 5/8 inch, and 3/4 inch CDX plywood for use in cold roof systems, and by approving the APA rating and stamp for CDX plywood, the Danish government opened their construction market to the myriad uses for which CDX plywood is suited.

31. The Maid of Cotton Visits Dubai. Dubai has become the new textile and fashion center for the Middle East, since the strife erupted in Beirut. Seizing an opportunity to promote U.S. fashion and fabric in this area, arrangements were made for the U.S. Maid of Cotton to participate in a U.S. cotton textile fashion show on April 22, 1985. Co-sponsored by the Cotton Council International in cooperation with the Dubai Sheraton Hotel and the Blue Ribbon Fashion Boutique (one of Dubai's modern stores specializing in western clothes), the show featured wearable and reasonably priced designs. The Boutique owners reported that demand created by the show exceeded their most optimistic expectations; during the week following the show, their entire stock of show designs was sold. The local news media generated 140 articles covering the show, and the Boutique indicated a definite interest in participating in any future shows for U.S. cotton textiles.

32. Consumption of U.S. Tobacco on the Rise in Egypt. Joint advertising programs by the export promotion organizations representing U.S. tobacco producers led to such an increase in demand for American blended type cigarettes that Egypt experienced severe cigarette shortages. Working jointly with the U.S. Agricultural Attache, the leaf merchants, cigarette trade and others, a strategy was developed to inform Egyptian Government officials and the local cigarette industry executives of the availability of credit under USDA programs. Egyptian cigarette industry team visits to the U.S. obtained an in-depth understanding of the U.S. tobacco industry and available credit programs through a comprehensive orientation and study program. Following the most recent visit, the Egyptians announced their intent to purchase $75 million worth of U.S. tobacco and to request USDA credit guarantees for the same amount, a significant increase over their 1984 purchases.

B. Objective: Provide U.S. and Foreign Tradesmen with Opportunities and Services Necessary to Build and Maintain Overseas Markets.

1. Saudi Ag85 (trade show) was participated in by twenty-seven American firms, who were directly represented. Several joint ventures resulted and many trade leads and contacts were initiated.

2. The First U.S. Food Show held in Sendai, Japan in five years generated $313,000 in on-site sales and $7.4 million projected sales over the year. Sendai Tokyo Hotel was the location for the agent show, which was held on August 28 and 29, 1985. It was the first of three agent shows to be held in 1985, the second in Kumamoto, and the third in Takamatsu.

C. Objective: Originate and Provide Assistance for Exhibits, Sales Teams and Other Functions for the Promotion of U.S. Agricultural Commodities.

1. Hamburg ATO. An in-shell pecan promotion led to a five fold increase in the fall 1984 importing season. The promotion was sponsored by the ATO and one of the largest West German fruit, vegetable, and nut importing companies. Retail sales were approximately $320,000, and the importer directly attributed the increase to the "effectiveness of the promotional activity."

2. Hamburg ATO. As a follow-up to last year's successful activities for California wines, the ATO in Hamburg worked with a West German importer and distributer to promote California wines at the retail and restaurant level. A special retail promotion was held in May 1985 with one of the largest retailers in West Germany, and resulted in the sale of about 38,000 bottles of California wine, valued at about $210,000, a 12 percent increase over last year's sales. Promotions at the restaurant level led to a 10 percent increase in sales, and an ad placed in a mail order catalog resulted in new sales of 18,000 bottles valued at $100,000.

3. Seoul ATO. In Seoul, the ATO and the Oregon Department of Agriculture sponsored an Oregon Ag Product Display on March 28 to March 30. The high quality food presentation was visited by 300 trade people and two company/agent agreements were initiated. Sales of $18,000 took place on site, and projected twelve month sales are $95,000.

FOREIGN AGRICULTURAL AFFAIRS
(Agricultural Attaches)

Our Agricultural Counselors, Attaches, and Officers, assigned to 76 U.S. Embassies and Consulates covering 105 countries, represent and promote the agricultural interests of the United States in these countries. They support and strengthen the farm sector of the American economy by assisting the expansion of commercial markets for United States agricultural products, achieving maximum access to foreign markets for United States agricultural products, providing information on a scheduled and alert basis that prepares U.S. agriculture for changes in world supply and demand conditions and safeguards American farmers and farm programs against unfair and injurious import competition.

A. Objective: Develop and Maintain Markets for U.S. Products

1. Soybean Exports to Turkey. The FAS office in Ankara, through intensive discussions and promotional efforts with the Turkish Ministries of Agriculture and Commerce and the oilseed crushing trade, effected a sale of 77,000 metric tons of soybeans under GSM-102. This sale was valued at $117 million and was the first importing of soybeans by Turkey.

2. Beef Cattle Sale to Taiwan. The Agricultural office in Taipei was instrumental in helping to arrange the sale of 725 head of beef cattle to the Taiwan Sugar Corp.(TSC). This not only was Taiwan's first major purchase of U.S. beef cattle, but also the U.S. will be regarded as a principal supplier for any future TSC beef cattle purchases.

3. Pecan Promotion Pays Off in Germany. Exports of pecans to West Germany jumped 30 percent in fiscal year 1985, over 1984, from $358,000 to $460,000. Increased sales are attributed to an in-store promotional activity by the ATO Hamburg with 4,000 retail outlets.

4. Sales of Raisins and Prunes to Algeria. Arrangements made by the Agricultural Trade Office in Algiers, following up on Algeria's annual tender for dried fruits, resulted in sales of raisins and prunes worth about $8 million. This was the first direct sales ever of California dried fruits to Algeria and represents the beginning of a relationship between the U.S. and Algerian entities.

5. Unprecedented Sale of Almonds to Algeria. The ATO in Algiers was instrumental in helping to effect a $13 million sale (5,000 tons) of shelled almonds to Algeria. The sale made history in that it was the largest single sale of almonds from one entity to another.

6. Mexican Government Guarantees GSM-102 Transactions by Its Private Sector. The Agricultural Counselor's office in Mexico City was successful in efforts to get the GOM to make available $100 million in GSM-102 credits to the private sector--a first in the history of the GSM-102 program in Mexico. This has opened up opportunities for oilseed crushing mills, feed mills, corn flour manufacturers and others to use GSM-102 for direct purchases of imports.

7. PRC Purchases U.S. Livestock. The FAS office in Beijing played a crucial role in providing timely information on veterinary and shipping conditions to both American sellers and Chinese purchasers of U.S. livestock including over 1,000 head of dairy cattle, several plane loads of hogs and thousands of chickens during the reporting year.

B. Objective: Maximize Trade Access for U.S. Products

1. Record Dairy Cattle Sales to Taiwan. The Agricultural office in Taipei played a critical role in getting Taiwan authorities to waive new health requirements that possibly could have forced cancellation of imports of U.S. dairy cattle by Taiwan. As a result, U.S. dairy cattle sales were a record 1,809 head during the first half of 1985, up from only 479 head for all of 1984.

2. France Continues U.S. Meat Imports. The FAS office in Paris was successful in persuading French officials not to extend the ban on meat treated with Zeranol, a hormone-like substance, to meat or meat products imported from the U.S. If implemented, the ban would have cost the U.S. about $60 million in lost sales.

3. Danish Imports of U.S. Turkey Products. Persistent efforts by the Agricultural Counselor's office in Copenhagen led to an agreement by Danish veterinary officials to accept U.S. turkey drumsticks processed in Germany. During the first 5 months of permitted imports, 170 metric tons were imported and it is expected that imports will increase because of the cheapness and desirability of the product.

4. Lower Duty Rates on Prunes in the U.K. The Agricultural Counselor's office in London, working with the trade, was successful in getting U.K. customs to rescind a regulation which increased the duty rate on dried prunes from 12 to over 20 percent. Exports have improved significantly and U.S. suppliers are making a strong promotional effort to further expand the market.

5. Exports of Wood Chips to Sweden Continue. The FAS office in Stockholm has been successful in helping to maintain U.S. exports of woodchips to Sweden--a $1.0 million market--despite a ban imposed by neighboring Finland because of an infestation of pinewood nematode in a mid-1984 shipment.

6. Ban on Hides and Offal Imports Lifted. Vigorous protest by the Agricultural Counselor's office in Mexico City resulted in the lifting of the ban on imports of hides and offal from the U.S. by the GOM which had already approved import permits.

C. Objective: Collect, Analyze and Report Essential Agricultural Intelligence

1. Timely Reporting on EC Activities. Timely information obtained by the FAS office in Brussels USEC--much of it before it was made public--provided advance notice of EC activities, thus allowing Washington agencies to coordinate their reactions and develop a comprehensive strategy to counter them.

2. Grain Price Reporting for Export Enhancement Program. The FAS office in The Hague, at the request of FAS/W, coordinated a system of European grain price reporting for use in the administration of the new Export Enhancement Program. This entailed travel to other EC countries by the Ag Counselor and members of his staff to coordinate the gathering of grain prices which have subsequently been reported daily to FAS/W.

3. Wheat Exports to Chile Continue Despite Earthquake. In March 1985, an earthquake destroyed the two principal piers at Chile's main port receiving wheat imports from the U.S. Timely reporting by the FAS office in Santiago, however, alerted U.S. exporters to alternative ports available to receive wheat, making possible the uninterrupted flow of wheat shipments during Chile's wheat import season.

FOREIGN MARKET INFORMATION AND ACCESS

Commodity & Marketing Programs

The Commodity & Marketing Programs area is responsible for providing data relating to supply, distribution, and foreign demand of agricultural commodities. Data are collected from field reports furnished by the Attache Service, special field studies conducted by Washington analysts and various other public sources. Advanced economic analyses are conducted to examine the data and produce short-term commodity forecasts, commodity status summaries and market potential guidance on a country and area basis. Price, supply and demand fluctuations and their respective possible impact upon American exports and market development activities are a particular focus of commodity and marketing programs. Reports and analyses are distributed to the U.S. agricultural community through various channels, including categories of FAS publications, participation in trade conferences and U.S. trade organizations. A program of import controls is administered on selected foreign source agricultural products.

A. Objective: Providing American Farmers and Traders with Timely Information on World Supply and Demand for U.S. Agricultural Products.

1. Support and Development of Export Enhancement Program. During FY 1985, FAS supported the development of the Export Enhancement Program through its system of gathering and maintaining current market information, in particular price information. A mechanism for reviewing feasibility of outside proposals and generating and reviewing internal proposals was established. In addition, the support work included development of an extensive mechanism for price review. Preparation of these initiatives required technical expertise and understanding of individual markets, competitor countries, and a close familiarity with the overall global supply and demand situation.

2. Horticultural and Tropical Products Circular Provides Key Information for U.S. Exporters. FAS analyzes horticultural product exports and the markets for these exports. This material, disseminated through the monthly horticultural products circular, has assisted in the identification of key products and key markets where further market development efforts would be useful. The circular format has been improved and its content broadened to include more statistical and analytical material to assist the trade to better understand the world competitive situation for their commodities. The horticultural circular informs exporters of European Community (EC) policies for fruits, vegetables and tree nuts. Understanding the various EC subsidies and marketing schemes assists the U.S. trade in developing their own marketing plans for competing products. The circular also provides monthly information on marketing opportunities for specific items in overseas markets as well as providing information on changing market access issues.

B. Objective: Providing U.S. Government Policy Makers With Adequate Information with which to Make Decisions Regarding U.S. and International Agricultural Interests.

1. On March 1, 1985, FAS was notified that a dissident element of the Italian rice milling industry was pressing for a regulation prohibiting the use of calcium carbonate (CACO3) in the rice milling process. Implementation of such a regulation would have serious implications for U.S. rice exports to Italy, which totalled 75,500 tons valued at $15.6 million in 1984, since CACO3 in the form of food grade fine powder is essential in milling U.S. rice to facilitate removal of

the bran. FAS rice specialists promptly researched substantive technical information showing that CACO3 is used in the U.S. in the enrichment process under FDA guidelines since rice is low in calcium, and that the use of this product in the rice milling process poses no health problems in either rice used for human food or rice mill by-products for livestock. This data was telexed to the Agricultural Counselor who was then able to successfully convince Italian Ministry of Agriculture and Ministry of Health Officials that the use of calcium carbonate in rice processing was totally harmless and that no regulation or prohibition was warranted.

International Agricultural Statistics

International Agricultural Statistics (IAS) serves as a single focal point within FAS and USDA for a statistical base encompassing production estimates, trade data, export estimates, economic indicators, price data, and export sales reporting. This FAS unit is also responsible for all remote sensing, telecommunications and computer technology being applied within FAS. This mission of IAS is to support market development, trade policy, the Office of the General Sales Manager and the needs of the public by collecting, processing, analyzing, reporting and disseminating foreign information.

1. World Crop Production Report Redesigned. Successfully initiated a new World Crop Production report format (narrative and tables) that utilized microcomputer spreadsheet automation to enhance the accuracy and speed in the preparation and release of USDA's primary monthly report updating world production analysis and outlook for major grains, oilseeds and cotton.

2. Technical Improvements Enhance Foreign Production Analysis. Ability to make more accurate and timely foreign crop and livestock production estimates improved significantly this year as a result of the integration of a number of computer enhancements. Most of the new, improved and/or expanded capabilities were completed on the microcomputers. They included the development of below-country historic production data bases used to make more accurate estimates of country-level production.

3. Expanded Support to Overseas Posts. Made arrangements to assure the Weekly Weather Bulletin is transmitted to all overseas posts in a timely manner. This includes not only the salient worldwide weather developments but added assessments by Foreign Crop Condition Assessment Division on late developments that are apparent from the imagery.

4. Coordinated Remote Sensing Within USDA. A Memorandum of Understanding on remote sensing was signed by the Administrators of Soil Conservation Service (SCS), Agricultural Research Service (ARS), Agricultural Stabilization and Conservation Service (ASCS), Statistical Reporting Service (SRS), and the Foreign Agricultural Service (FAS). The MOU addresses the working relationship between the agencies for a cooperative remote sensing effort for domestic and international crop condition assessments of selected geographic areas. This effort will use the remote sensing facilities of FAS and augment their capabilities by assigning or allocating personnel and resources from the other agencies.

5. Better Model for Forecasting Soviet Grain Production. An "all crop" grain model was developed for the Soviet Union. This computer-driven model, which provides production by Oblast (province), is showing highly significant results. The model is driven by inputs, such as gridded meteorological data and crop calendar start values, that are readily available. These inputs, however, are used with new techniques. Results for crop year 1985 compare very closely with production totals derived from other sources. This model has great potential for improving USDA estimates of Russian grain production.

6. Overseas Reporting Sharpened. A new reporting system was introduced that emphasizes timely reporting of significant events by field officers. The new reporting system reduced the burden on the field officers of scheduled reports and gives them more flexibility to address current events.

7. Demand for Reports Increases. The Attache Reports generated by the new reporting system are available to the public on a subscription basis. A measure of the success of this subscription program is the almost 100 percent renewal rate. The number of subscribers increased from 374 to 421.

8. Enhanced Exports Sales Report. In response to numerous trade inquires for additional export sales information for American Pima cotton, the U.S. Export Sales report was modified to include this type of data. These changes along with refined graphic presentations were enthusiastically received by exporter community and producers who found this information useful when analyzing commodity availability and sales patterns. With the inclusion of the additional data, provided at no additional cost to FAS, the serviceability of the weekly export sales report has been greatly enhanced.

9. Pacific Rim Study Points to Export Opportunities. Completed a study outlining the economic basis for the emergence of the Pacific Rim as an important trading "bloc" and as a growing market for agricultural products. The study consisted of two Foreign Agriculture magazine articles and a separate--more statistically oriented--staff paper that identified the most likely country/product growth areas within the region for some one hundred and thirty bulk and/or value-added/high-value agricultural products.

10. Market Profiles In Big Demand. The International Marketing Profiles series is an overall new service which provides detailed statistical data regarding U.S. agricultural trade activity for processed and unprocessed products. Profiles are available in a constantly updated mode for roughly 60 countries and 30 product groupings. In the 18 months since inception, 5,000 copies have been sold valued at $25,000. In addition, these reports provide valuable information for our agricultural trade officers and attaches overseas.

11. DEC Purchase Enhances Analytical Capabilities. Following a two-year procurement effort, ASCS and FAS awarded a contract to the Digital Equipment Corporation to provide minicomputers for the CCC Computer Facility. This equipment will provide a major enhancement to the two agencies' ADP capacity, including: shared databases; improved telecommunications with domestic and foreign offices; terminals in virtually all offices; and more powerful analytical software for economists and analysts.

12. GEDES Continues Expansion. Installation of the Global Economic Exchange System (GEDES) at overseas posts continued. Some 53 FAS overseas offices are now using this system. Altogether, over 90 percent of all scheduled reports now come to FAS/W via GEDES. A new version of GEDES for Wang PC's was completed and has been installed at 13 posts which do not have access to a State Department computer. In addition, 17 overseas offices which do not have access to State's telecommunications have been added to TELENET, a private vendor, thus reducing transmission time for reports to FAS/W.

13. Agricultural Information and Marketing Services (AIMS) Project. A new marketing initiative begun in 1984, AIMS re-emphasizes the FAS commitment to export promotion services. To accomplish its export promotion mission, AIMS seeks to expand the volume and timeliness of FAS' international trade leads, encourage U.S. exporters to assume a more active role in pursuing export opportunities, use awareness techniques to educate recipients of the benefits of international trade, work more closely with the State Departments of Agriculture in assisting their exporters and promoting AIMS services, and utilize electronic technology whenever possible to speed the flow of international marketing information.

These functions led to significantly increased exports of U.S. agricultural products last year, especially in the high-value product category where AIMS services are primarily directed. During the 12-month period of July 1984 to June 1985, AIMS services resulted in additional exports of over $500 million, according to a survey of companies who used AIMS.

AIMS concluded its 18-month pilot phase on September 30. Its success was then evaluated by an independent three person review team and presented to FAS management. Their conclusion was that AIMS had substantially exceeded all the objectives set forth in the original project proposal and had indeed helped American exporters increase their sales of agricultural products around the world. They strongly recommended that AIMS' activities be continued and expanded.

14. AIMS Increases Public Awareness. One of AIMS accomplishments given special attention concerned the effectiveness of AIMS promotion activities and the added public visibility these activities bring--not just for AIMS but for FAS as a whole. During the last year, over 15 international trade seminars throughout the U.S. and 4 domestic food shows used AIMS as a means of meeting thousands of exporters or potential exporters of agricultural products. In addition, AIMS used direct mail and media advertising campaigns to increase awareness. Use of direct mail advertising resulted in contacting over 50,000 agribusiness firms to alert them to the export information services offered by AIMS. Press coverage of AIMS activities was also extensive with over 10 radio and 3 television interviews, along with numerous newspaper articles on AIMS and its impact on international trade. The result of these promotion activities was a 5 fold increase in the number of clients serviced by AIMS--from 300 to 1,500.

Trade Policy Activities

The International Trade Policy program area coordinates and directs the Department's responsibilities in international agreement programs and negotiations, with a specific goal of expanding United States agricultural exports. The program area identifies policies and programs of other governments which discourage the export of United States farm products, then contributes to the development and implementation of Administration policy and negotiations to reduce or remove these barriers. The program also participates in the formulation and administration of U.S. import policies to ensure that they reflect adequately the interest of U.S. farmers.

A. Objective: To Improve/Maintain Market Access for U.S. Agricultural Exports by Negotiating Bilaterally or Individual Trade Barriers.

1. Taiwan Reduces Agricultural & Forestry Tariffs. Following bilateral negotiations between the American Institute in Taiwan and the Coordination Council of North American Affairs, Taiwan implemented on January 1 tariff reductions on 216 items affecting $237 million of Taiwan's imports from the United States in 1984. The market for these products could easily reach the $350 to $450 million range within the next two to three years. The cuts will be of particular benefit to shipments of almonds, walnuts, prunes, chocolate, chocolate and sugar confectionary, hog casings, raw and semi-processed hides, tallow, soluble coffee, infant food, canned corn, biscuits, ginseng, hops, pet food, roasted almonds, whey powder, vegetable and fruit juices, lumber, fiberboard, particleboard, veneers, veneer sheets, and plywood. Taiwan also reduced the customs valuation uplift on January 1 from 10 to 5 percent. This action reduced the overall import charges by 4.6 percent and applied to all products across the board except those duty free (over $1 billion in trade in 1984).

2. Korea Improves Access for Agricultural Products. Following a series of bilateral trade negotiations, Korea took action to lessen trade restrictions on a broad range of agricultural products with an import value from the United States in 1984 of $30 million. U.S. exports in these items could easily reach the $60 to $90 million range within the next two or three years. Tariffs were reduced on January 1 on chocolate, chocolate and sugar confectionary, honey, potato flour, flakes and meal, liquorice extracts, margarine, breakfast cereals, macaroni, beverage bases, biscuits, vegetable juices, yeasts, animal hair and particleboard. Licensing restrictions were removed on July 1 on almonds, fresh grapefruit, fresh cherries, cottonseed oil, canned corn, margarine and other edible fats, beverage bases, infant foods, protein concentrates, and a variety of prepared foods.

3. Malaysia Modifies Proposed New Food Laws. In response to USG representations, the GOM decided against introducing regulations prohibiting the use of ascorbic acid (a preservative) and benomyl (a fungicide) and agreed that food labeling may be in either Bahasa Malaysia or the English language (with the exception of infant formula). Both are areas of priority concern to U.S. food exporters. The USG continues to review other troublesome aspects of Malaysia's proposed food legislation in cooperation with the Malaysian authorities.

4. Japan Pledges to Reduce Tariffs on Agricultural Items. In the July Action Program, Japan announced its intention to cut tariffs 20 percent on eight agricultural items of interest to the United States. Tariff cuts on boneless chicken, duck, walnuts, pistachios, puffed cereal products, lime juice, and wine coolers will commence in 1986; a proposed reduction for bottled wine will be implemented in 1987. U.S. exports of these products to Japan in 1984 totaled $60 million.

5. Japan Announces Intention to Reduce Tariffs on Wood Panel Products in 1987. In the July Action Program, Japan proposed to cut duties on hardwood and softwood plywood and other panel products in April 1987. In the on-going sectoral talks with the Japanese, the U.S. Government is seeking information regarding the depth of the proposed cuts and is requesting that implementation be advanced to 1986.

6. Japan Announces Measures Regarding Wood Products Standards. In the July Action Program, Japan pledged to commence studies to establish structural standards for products, such as oriented strandboard and waferboard, to implement promptly tests in order to adopt lodgepole and ponderosa pine as suitable materials for structural laminated lumber, and to appoint representatives of foreign interests to committees drafting wood products standards. The above measures were taken in response to U.S. requests made in sectoral talks with the Japanese on forest products.

7. Japan Plans Review of Fire and Building Codes. In the July Action Program, Japan announced its intention to review fire and building codes to identify possible measures which could stimulate greater use of wood and wood panel products, including imports from the U.S.

8. Japan Gives Assurances Regarding Fruit Trees Legislation. Because of strong U.S. representational efforts voicing concern that an amendment to the Fruit Trees Special Measures Law would permit restriction of orange imports in order to stabilize domestic markets, the Japanese Diet passed a resolution stating that the Government would seek to ensure consistency of the law with GATT and other international agreements.

9. Japan Drops Revision of Policy for Allocating Orange Import Licenses. In response to strong U.S. objections, the Ministry of International Trade and Industry (MITI) quietly dropped consideration of a change in procedures which would have allowed license holders to import less than their full quota allocations without prejudice. Currently, importers must utilize their full quota allocations or risk having them cut in succeeding years. The change might have led to Japan's importers not purchasing the full quota levels agreed to under the 1984 Brock-Yamamura Understanding.

10. Free Trade Area Agreement with Israel Negotiated. Negotiations were completed and the Agreement approved by the U.S. Congress to establish a FTA between the U.S. and Israel. Under the Agreement, each country will eliminate all customs tariffs over a 10 year staging period. Implementation began in September 1985. FAS participated actively in the negotiations seeking to improve market access for U.S. agricultural products in Israel and developing adequate safeguards for U.S. producers against injurious imports from Israel. Regulations are being issued to provide "fast track" emergency import relief procedures for perishable agricultural products as mandated by the U.S. Congress.

11. Colombia - Import Licenses and Tariffs for Apples, Lentils and Peas. Colombia had been restricting the issuance of import licenses for apples, lentils and peas. As a result of our complaints, Colombia increased import licenses in 1985, allowing U.S. exports of these commodities to Colombia to increase. In July 1985, Colombia increased import tariffs on apples, lentils and peas to levels above those bound under the GATT. FAS raised this issue with the GOC, which in turn reduced the tariffs to the GATT bound rate.

12. Canada's millfeed Voluntary Restraint Agreement. An extension of Canada's Crow Rate under the Western Grain Transportation Act, which became effective in 1984, provided transportation subsidies for millfeed exported to the U.S. FAS approached Canada on this issue, pointing out that Canadian millfeed exports to the U.S. were increasing significantly because of the subsidy. In response, Canada agreed to limit its 1985 exports of millfeed to the U.S. to more reasonable levels.

13. Canada Exempts High Quality Beef from Import Law. Canada's meat import law provisions were written to cover all types of beef. In response to USG requests, Canada agreed to exempt high quality beef from the application of their meat import law during 1985. Since most of the U.S. beef exported to Canada falls in the high quality category, Canadian quotas will not be restrictive to imports of U.S. beef.

14. Mexico Abolishes Import Licenses. FAS has on many occasions complained to Mexico about its requirements for import licenses and that imports were being limited by the nonissuance of these licenses. In mid-1985 Mexico removed a large number of agricultural products from the list of items requiring import licenses. The most significant agricultural items affected are hides, skins, and offals.

15. U.K. Prune Duty Reclassification. United Kingdom customs officials misclassification of prune imports into a higher duty category was corrected in December 1984, as a result of U.S. objections. Had this action not been taken by the U.S. such a misclassification could have been applied throughout the EC, with potentially serious implications for other U.S. dried fruit exports to the EC.

B. Objective: To Initiate and Support Work on Trade and Commodity Issues so as to Facilitate U.S. Agricultural Exports.

1. Development of Administration Trade Policy Strategy and Preparations for a New Round of Trade Negotiations. Agriculture has been given a high priority in the Administration's goals for overall trade strategy, in particular strategy for the initiation of a new round of trade negotiations. U.S. goals for agriculture have been elaborated in Administration policy statements and incorporated into positions for the GATT Committee on Trade in Agriculture (CTA). The CTA mandate is to work out approaches to negotiations which will bring all agricultural trade barriers under more effective GATT rules. U.S. objectives have been to devise rules that will phase out these barriers and eliminate the use of agricultural export subsidies. While agreement on specific recommendations has not been reached by the CTA, the work of this group will be the focal point for negotiations on agriculture in a new round.

2. OECD Agricultural Trade Study

Under a mandate provided by the 1982 Ministerial, the OECD has developed an econometric model of the effect of domestic policy changes on international trade, and has completed an examination of the agricultural trade policy of Canada, Australia, the United States, the European Community and Austria. An examination of Japan and New Zealand will be completed in 1986, and conclusions drawn will be reflected in a third part on the opportunities for improvement in international markets.

3. Renegotiation of Tariff Concessions Related to the Adoption of the Harmonized Commodity Description and Coding System. A preparatory stage of analysis and discussions was nearly completed in FY 1985 concerning changes in tariff concessions by the United States and about ten other major trading countries who will adopt new tariffs and trade statistical classifications in accordance with a uniform "Harmonized Commodity Description and Coding System." The target effective date is January 1, 1987 if the second stage of negotiations can be completed with these countries in time. Most trading nations are expected to adopt this system and thereby facilitate trade through uniform documentation and international trade statistics, as well as internationally agreed customs classification practices.

C. Objective: To Administer U.S. Agricultural Import Policies in Ways Which Will Minimize the Effect of U.S. Import Restrictions Upon Efforts to Expand U.S. Agricultural Exports.

1. Generalized System of Preferences (GSP). With the renewal of the GSP program by the Trade and Tariff Act of 1984, attention in FY 1985 was focused on a review of competitive need limits and preparation for negotiations with developing country beneficiaries to determine whether they have adopted liberal trade policies that would warrant a relaxation of eligibility requirements for benefits under the GSP program.

2. Import Relief. FAS continues to provide advice for the Administration's review of petitions for import relief for products such as steel, footwear, and textiles. The President's decision in these cases was to avoid action that would lead to foreign retaliation or cost more jobs in other industries than would be saved in the industries requesting relief.

D. Objective: To Maintain a Technical Office to Help Protect U.S. Rights Under the Standards Code.

1. Japan - Food Additives. The Technical Office has worked closely with the Food and Drug Administration to develop requests for changes in Japanese regulations to remove limitations on chemical additives in food and food processing and packaging.

2. Pesticide Legislation. The Technical Office prepared extensive comparative lists of U.S. and foreign pesticide tolerance regulations for use in developing U.S. farm legislation.

3. U.S.-Canada Pesticide Meetings. Bilateral meetings resulted in actions to encourage U.S. manufacturers to register certain pesticides in Canada in order to assure acceptability of U.S. exports of produce showing residues of these pesticides.

4. Information Exchange. In FY 1985 the Technical Office answered over 500 requests for information on U.S. and foreign standards and technical regulations. The Office also notified U.S. traders of over 60 proposed changes in U.S. or foreign standards and invited comments on these in order to limit the adverse effect on U.S. trade.

Salaries and Expenses (Special Foreign Currency Program)

NOTE: Programs previously financed by this account are funded by the annual appropriation--Foreign Agricultural Service.

PROJECT STATEMENT

Project	1985	1986 (Estimated)	1987 (Estimated)
Unobligated Balance Brought Forward (-)	- 143,252	-$143,252	--
Unobligated Balance Carried Forward	143,252	--	--
Unobligated Balance Lapsing	--	143,252	--
Total Appropriation	--	--	--

PASSENGER MOTOR VEHICLES

The 1987 Budget Estimates propose the purchase of ten (10) passenger motor vehicles.

Additional Passenger Motor Vehicles. Two additional passenger motor vehicles will replace light truck-type vehicles which are no longer required due to high operating costs and improved road conditions.

Replacement of Passenger Motor Vehicles. Replacement of eight passenger motor vehicles is proposed. All vehicles proposed for replacement will meet the replacement standards.

The passenger motor vehicles and light trucks of the service are used exclusively by the Agricultural Officers at overseas posts. The officer travels extensively throughout the countries assigned, gathering agricultural data. Embassy motor pool vehicles are used when there are sufficient numbers to meet the needs of the entire embassy. At many posts, however, the motor pools are not large enough, which necessitates this request.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1985 is as follows:

Age Data		
Age-Year Model	Number of Vehicles	Percent of Total
1979 or older	1	3.2
1980	1	3.2
1981	8	25.8
1982	9	29.0
1983	1	3.2
1984	7	22.7
1985	4	12.9
TOTAL	31	100.0

Mileage Data		
Lifetime Mileage	Number of Vehicles	Percent of Total
80-100	0	0
60-80	1	3.2
40-60	6	19.4
20-40	9	29.0
Under 20	15	48.4
TOTAL	31	100.0

Office of the General Sales Manager
Statement by Melvin E. Sims, General Sales Manager
U.S. Department of Agriculture
Before the House Subcommittee on Agriculture,
Rural Development, and Related Agencies

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to discuss the programs of the Office of the General Sales Manager and to present our budget proposals for FY 87.

Since I last appeared before this Committee, the climate for agricultural exports has improved. Under the Food Security Act of 1985, the Secretary will be reducing price support loan rates for 1986-crop wheat and feedgrains which not only will help make our commodities more competitive, but also will lower the price umbrella under which our competitors are encouraged to produce surpluses. Also, the U.S. dollar has moved in the right direction, helping to make U.S. farm goods more affordable.

But, despite the good signs, competition will continue to be fierce. Unmindful of market signs which should foster strong production cutbacks, some countries continue to gear up their agricultural infrastructures and further glut the market with commodities already in surplus. At the same time, a number of nations continue to struggle with burdensome debts that prevent them from buying all that they need.

Therefore, our export programs continue to be an important element in our competitiveness. They also help counteract the economic problems that erode some countries' buying power.

These programs help to move a considerable amount of U.S. production into export channels. Last year they helped move more than 13 percent of U.S. agricultural exports. This year, commercial credit guarantee and food aid programs could finance nearly a fourth of our exports.

As a key representative for U.S. farmers abroad, the General Sales Manager is a traveling salesman with a territory that has no bounds. Getting together face-to-face with clients has been extremely important in putting together deals in which buyer and seller are sometimes separated by half the globe.

In my role as General Sales Manager, during the past year I have visited over a dozen key markets in the Middle East, Africa, Asia, Europe and South America to meet with foreign government officials, official buying agencies, private sector importers, and U.S. cooperator representatives.

I have found that many State trading entities prefer to have the assurance of the General Sales Manager before buying U.S. farm products. Recognizing that my involvement is important to them, I have kept in close contact through visits, telephone calls and correspondence.

Let me give you a couple of examples. Last summer I spent several days in Baghdad meeting with Iraqi importers; we later announced for FY 1986 $500 million worth of GSM-102 credit guarantees for Iraq. We expect all of this to be used by the end of the fiscal year. When it was decided to include Iraq in the Export Enhancement Program, I returned to Baghdad to explain the mechanics of the program.

In January and again in February, I was in Algeria to answer questions about the Export Enhancement Program; subsequently, the Algerians purchased a million tons of U.S. wheat.

Key members of my staff also have traveled on similar missions to 22 countries. During the same period, numerous delegations visited us here to discuss our sales programs and, in many cases, make tenders while in Washington.

Export Enhancement Program

I would like to report briefly on the Export Enhancement Program (EEP) which Secretary Block announced in May of last year. Under this program, agricultural commodities owned by the Commodity Credit Corporation (CCC) are made available as a bonus to U.S. exporters to expand exports of U.S. agricultural commodities into targeted markets.

In June, two weeks after the program was launched, the first initiative under EEP gave U.S. exporters an opportunity to sell 1 million tons of wheat to Algeria. Subsequently, there have been 25 initiatives announced involving the export of wheat, wheat products, rice, poultry, barley malt, eggs, and dairy cattle.

The implementation of the Export Enhancement Program program did require the establishment of new procedures and rules. Naturally, some time was needed for potential importers and U.S. exporters to become familiar with these operational requirements.

As of April 11, my office has approved for export nearly 3 million tons of wheat, nearly 324,000 tons of wheat flour, and 8,000 tons of frozen poultry. U.S. exporters will be paid bonuses amounting to more than $106.9 million from CCC commodity inventories.

I would also like to note that the implementation of the Export Enhancement Program is another example of how the commodity analysis and market development functions of the Foreign Agricultural Service complement the program development role of the General Sales Manager.

Credit Programs

The GSM-102 program is designed to expand U.S. agricultural exports by stimulating U.S. bank financing of foreign purchases on credit terms of up to three years. The program operates in cases where credit is necessary to increase or maintain U.S. exports to a foreign market and where private financial institutions would be unwilling to provide financing without CCC guarantees.

A total of $4.5 billion in GSM-102 guarantees was made available in FY 1985 for straight guarantees. This excludes any guarantees offered as part of the blended credit program. Of this, $2.5 billion was registered by exporters for sales in 22 countries. We found that the GSM-102 package was not attractive to many customers because even with credit our competitor's prices were lower than ours, and there is a real reluctance by debt burdened countries to increase their debt service load.

All agricultural commodities, including some fish products, can be considered under the GSM-102 program. Among the commodities registered during FY 85 were wheat ($999 million), feed grains ($410 million), cotton ($348 million), rice ($193 million), protein meal ($98 million), and vegetable oils ($100 million).

Among other accomplishments, GSM-102 helped preserve our traditional wheat market in Colombia, increased Egyptian purchases of a variety of U.S. farm exports, expanded exports to Korea and helped maintain Iraq as the largest importer of U.S. rice.

In FY 1986, the current authorized levels for GSM-102 export credit guarantees is $4.785 billion. This level reflects the required 4.3 percent reduction to comply with the Gramm-Rudman-Hollings Act 1986 Sequester order. Actual lines of credit under the GSM-102 program have been announced for over $3.6 billion. Major participants include Brazil, Iraq, Korea, Egypt, and Mexico. As our prices become more competitive, we expect the actual sales registered this year to be higher than last year.

Public Law 480--Food for Peace Program

The Public Law 480 Food for Peace Program (P.L. 480) has an excellent record of success in supporting the economic, humanitarian, and foreign policy objectives of the United States.

The General Sales Manager has primary programing responsibility for the Title I concessional sales program, including Title III activities, and the Agency for International Development (AID) has comparable responsibility for the Title II donations program. Title I/III operational activities are also the responsibility of USDA, while Title II operational activities are the joint responsibility of USDA and AID.

The Title I concessional sales program has, over the years, been effective in both economic development and the creation of commercial markets for U.S. farm products. Among other achievements during the past year, we have maintained wheat, tallow and vegetable oil markets in Guatemala, assured needed food imports in the Dominican Republic, and increased the sales of wheat to Morocco.

The P.L. 480 program grew in FY 1985 in response to the drought which struck many African countries. The program level was slightly above $2 billion, approximately a billion dollars in both Title I and Title II. Over eight and a half million tons were programed in FY 1985, about three million tons to sub-Saharan Africa.

The assistance to Africa was provided primarily under the Title II program. Funds available to Title II activities included a special $384 million supplemental passed by Congress last summer. This supplemental was available through the end of December, and slightly over $130 million was carried into FY 1986. Assistance to Africa was also provided through the Title I program as well as the Section 416 overseas donation program. For the first time the Food Security Wheat Reserve was tapped, to provide 300,000 tons of wheat through Title II also to help in this extraordinary humanitarian response to human suffering.

This fiscal year, the needs in Africa have declined. This, plus the Gramm-Rudman-Hollings sequestration reduction, result in a total P.L. 480 program level of $1.740 billion.

The Title I program for 1986 is $986 million. We anticipate signing agreements with 31 countries and exporting approximately 5.3 million tons of U.S. farm commodities.

The total Title II FY 1986 program level is $754 million, including carried-in supplemental funds. Title II provides both development and humanitarian relief to combat malnutrition especially in vulnerable groups. It is expected that these donations will total 2.2 million metric tons of food commodities valued at $438 million which will be made available to about 70 countries this year.

Section 416

Under Section 416, commodities owned by the Commodity Credit Corporation due to price support programs may be donated through foreign governments, public and private nonprofit humanitarian organizations, and international organizations. However, donations must be coordinated with other U.S. foreign assistance efforts and comply with the principle of additionality. The Agency for International Development takes the lead for the Commodity Credit Corporation in program development for Section 416.

During FY 1985, approximately 147,000 metric tons of dairy products were provided to 18 different countries under Section 416 agreements. The largest volumes programed were to Mexico, 25,558 metric tons; Ethiopia, 23,200 metric tons; Chile, 20,002 metric tons; and Mauritania with 10,650 metric tons. During the current fiscal year, we expect to program a similar level of dairy commodities.

Special African Sales Program

In March 1984, the Commodity Credit Corporation was authorized by Congress to make available up to $90 million worth of commodities from its inventory for sale on a competitive bid basis or barter to U.S. exporters to sell to African countries requiring emergency food assistance.

As of February 14, 1986, 429,555 tons of grains, with an acquisition value of $89.9 million had been exported to 11 African countries. This program is now complete.

Budget Request for Fiscal 1987

I now wish to highlight our budget proposals for FY 1987, which demonstrate a continuing need for activities to help U.S. agricultural exports. Our budget request reflects a balance between this need and the need to achieve a reduced U.S. Government deficit.

CCC Export Credits

During FY 1987, we intend to carry out the mandates for export credit programs as provided for in the Food Security Act of 1985. This includes $5.0 billion of short-term export credit guarantees and $500 million of intermediate-term export credit guarantees.

P.L. 480

In 1987, we are requesting a total program level of $1.544 billion for the P.L. 480 program, a decrease of $196 million from the FY 1986 budget. Our request for the Title I/III sales program is $944.4 million, which will provide long-term concessional financing for approximately 5.3 million metric tons of agricultural commodity exports.

We are requesting a program level of $600 million for the Title II program, which will provide 1.9 million metric tons (on a grain equivalent basis) of food donations, the annual minimum tonnage for the program. The total tonnage under the P.L. 480 program is estimated at 7.2 million metric tons. While this is somewhat lower than FY 1986, it reflects primarily the expectation that food aid needs in sub-Saharan Africa in 1987 will be substantially below those of the past two years.

General Sales Manager

In FY 1987, we are requesting $6.1 million for the General Sales Manager's office to carry out these programs, which will be funded by allotment from the Commodity Credit Corporation

Thank you, Mr. Chairman. I welcome the opportunity to answer your questions.

# # #

COMMODITY CREDIT CORPORATION

The estimates include proposed changes in the language of this item as follows:

General Sales Manager (Allotment from Commodity Credit Corporation):

Not to exceed $6,089,000 may be transferred from the Commodity Credit
Corporation funds to support the General Sales Manager who shall work to
expand and strengthen sales of U.S. commodities (including those of the
1 Corporation) in world markets pursuant to existing authority [(including that
contained in the Corporation's charter), and that such funds shall be used by
the General Sales Manager to carry out the above activities]. The General
Sales Manager shall report directly to the Board of Directors of the
2 Corporation [of which the Secretary of Agriculture is a member]. The General
3 Sales Manager shall obtain[, assimilate,] and analyze all available
information on developments related to private sales, as well as those funded
by the Corporation, including grade and quality as sold and as delivered,
including information relating to the effectiveness of greater reliance by
the General Sales Manager upon loan guarantees as contrasted to direct loans
for financing commercial export sales of agricultural commodities out of
private stocks on credit terms, as provided in titles I and II of the
Agricultural Trade Act of 1978, Public Law 95-501, and shall submit
4 [quarterly] annual reports to the appropriate committees of Congress
concerning such developments.

The first three changes represent an effort to condense the appropriation language without changing the programmatic content or authorizations which govern the operations of the General Sales Manager.

The fourth change proposes to change the quarterly reporting requirement to an annual reporting requirement.

GENERAL SALES MANAGER
ALLOTMENT FROM COMMODITY CREDIT CORPORATION

Allotment, 1986	$6,089,000
Budget Estimate, 1987	6,089,000
Change in Allotment	--

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted allocation)

Item of Change	1986 Estimated	Program Changes	1987 Estimates
General Sales Manager	$6,089,000	--	$6,089,000

PROJECT STATEMENT
(On basis of adjusted allocation)

Project	1985		1986 Estimated		Increase or Decrease	1987 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
General Sales Manager	$6,079,000	108	$6,089,000	107	--	$6,089,000	106
Total available or estimate	6,079,000	108	6,089,000	107	--	$6,089,000	106

EXPLANATION OF PROGRAM

The General Sales Manager was established pursuant to Section 5(f) of the Charter of the Commodity Credit Corporation and 15 U.S.C. 714-714p. The funds allocated are used for conducting the following programs:

> (1) CCC Export Credit Guarantee Program (GSM-102), (2) CCC Export Credit Sales Program (GSM-5), (3) Public Law 480, (4) Section 416 Overseas Donations program, (5) Export Enhancement Program, and (6) programs authorized by the Commodity Credit Corporation Charter Act including barter, export sales of most CCC-owned commodities, export payments and other programs as assigned to encourage or cause the export of U.S. agricultural commodities.

Reports Commenced During FY 1985

OIG Reports

7099-6-Hy	PL 480 Title 1 U.S. Flag Vessel Rates	Investigate dissention over U.S. Flag Vessel Rates to Egypt.

5010-2-Hy	FAS/ASCS Title I/III PL 480 Fiscal Accountability	Survey/audit of FAS/ASCS fiscal accountability procedures, controls, and responsibilities.

REPORTS COMPLETED DURING FY 1985

GAO Reports

Code 472053	Compendium of GAO Reports Pertaining to P.L. 480 activities	Compendium for use of persons assessing PL 480 From July 1973 through August 1985.
Code 483372	Survey of Export Credit Guarantee Program	Survey of program operations and policies.
Code 483371	Opportunities for Greater Cost Effectiveness PL-480, Title I Food Purchases	Opportunities to improve cost effectiveness of subsidized food purchases by recipient countries.

OIG Reports

3099-43-SF	Survey of CCC Export Rice Purchase Program	Survey to evaluate the accuracy of the formula that CCC uses to determine the milled rice for export.
7099-1-Hy	Section 416 Foreign Dairy Donation Program	Investigation of foreign dairy donations.
SF-799-8	Possible Violation of CCC-102 Commercial Credit Program, Regulations	Pacific Coast Commodities Company in arranging contracts for sales of tallow.
FO-3630-8	Possible Violation of PL 480 Program Regulations	Investigation - Violation of PL 480 program regulations.

36030-1-FO	PL 480 Title 1 Commissions, Fees and Other Payments	Review of payments under Food for Peace Program.
SF-799-7	Possible Violation of Cheese Import License Regulations	Investigation violation of cheese import license regulations.

General Sales Manager
Allotment from Commodity Credit Corporation
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1985		1986		1987	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia	6,079,000	108	6,089,000	107	6,089,000	106
Total, Available or Estimate	6,079,000	108	6,089,000	107	6,089,000	106

COMMERCIAL EXPORT PROGRAMS

STATUS OF PROGRAM

Within the provisions of the CCC Charter Act, the General Sales Manager has authority to make sales for export from CCC stocks, and to develop and administer programs supporting agricultural commodity exports. In FY 1985, the Export Credit Guarantee Program (GSM-102) was the primary vehicle for supporting agricultural exports. Also, an Export Enhancement Program (GSM-500) was implemented in fiscal year 1985. This program provides government-owned commodities as bonuses to exporters who complete sales in targeted countries under the rules of the program. The Direct Sales Program was used to sell CCC-owned dairy products to four countries in FY 1985.

Program authority for the CCC's Export Credit Guarantee Program stood at $5.0 billion for fiscal year 1985, and is set at the same level for fiscal year 1986. Authority was provided for up to $325 million of direct credit in fiscal year 1985, a portion of which was to be used as the direct credit component of the Blended Credit Program. Due to a court ruling applying cargo preference requirements to blended credit sales, however, the program was suspended in February 1985.

Public Law 480 Title I/III concessional sales agreements during fiscal year 1985 provided for the export of 5.6 million metric tons (grain equivalent) of agricultural commodities. These commodities were valued at $1,005 million. Under Title II, 2.98 million tons (grain equivalent) of agricultural commodities valued at $617.2 million were programmed during fiscal year 1985. Shipment levels under both titles were at a higher level than in fiscal year 1984 due to the substantial increase in famine assistance to sub-Sahara Africa.

A. Objective: Increase Commercial Exports of Agricultural Commodities in order to Meet the Department's Market Development and Export Promotion Objectives of Improving U.S. Farm Income and Supporting Both the U.S. Payment and Trade Balance.

1. CCC Export Credit Guarantee Program (GSM-102). The GSM-102 Program is designed to assist U.S. exporters of agricultural commodities and products obtain private financing with repayment periods of up to three years by providing a partial U.S. Government guarantee. A total of $5.0 billion in GSM-102 guarantees was available in FY 1985. Of this, $4.5 billion was announced for use with sales in 23 countries and $2.5 billion was registered by exporters. All agricultural commodities can be considered under the GSM-102 Program. Among the commodities registered during fiscal year 1985 were wheat ($999 million), feedgrains ($410 million), cotton ($348 million), rice ($193 million), protein meal ($98 million), and vegetable oils ($100 million).

--Colombia - GSM-102 Preserves Traditional U.S. Wheat Market. For Colombia, USDA announced GSM-102 wheat guarantees in order to meet competitive foreign offers. By the end of the fiscal year, Colombia had registered sales of $79 million against a wheat line availability of $100 million, and the potential loss of a major wheat market was averted.

--CCC Export Credit Guarantees Increase to Expand U.S. Exports to Egypt. Egypt purchased a total of $300.6 million in U.S. agricultural commodities under GSM-102 making this the third largest program for FY 1985. The total program level increased by 70 percent over the FY 1984 program and the number of commodities covered by GSM-102 was expanded. Programing coverage was available for cotton, tallow, vegetable oil, millet, beef and beef offal, corn, poultry, tobacco, and wheat and wheat flour. Egyptian purchases of U.S. tobacco increased dramatically with the availability of GSM-102 financing. The market for U.S. tobacco increased from about 3,500 metric tons in FY 1984 to approximately 17,500 metric tons in FY 1985 due to $74.0 million in GSM-102 credit guarantees.

--GSM-102 Credit Guarantees Maintain U.S. Agricultural Exports to Korea. CCC export financing--initially under concessional terms and more recently under the GSM-102 Program--has aided in the expansion of U.S. agricultural exports to Korea. In past years Korea has bought nearly 100 percent of its wheat and soybean imports, 45 percent of its cotton and corn imports, and 56 percent of its tallow imports from the United States. However, Korea has been steadily diversifying its import sources. In turn, the U.S. share of the Korean agricultural market has been eroding. However, the fiscal year 1985 GSM-102 Program played a key role in countering the stiff competition from alternative suppliers. The program provided for $482 million in credit guarantees for the export of cotton, wheat, feedgrains, soybeans and tallow to Korea. Almost the entire credit line was used by Korean importers.

--GSM-102 to Iraq Maintains Largest U.S. Rice Market and Helps to Maintain Sales of Various U.S. Commodities. The GSM-102 program was instrumental in maintaining Iraq as the most important rice market for the United States. Iraq purchased $180 million of rice and nearly $15 million sugar in FY 85 under the program. Though total imports from the United States declined from $411 million in FY 1984 to $371 million in FY 1985, this was considerably larger than earlier years. Without the GSM-102 Program the level of U.S. agricultural exports would have declined considerably more.

--The Market for Wheat and Soybean Meal in Pakistan was Expanded Under the GSM-102 Credit Guarantee Program. Pakistan was able to purchase $41.5 million of wheat to offset its wheat deficit this year because of the GSM-102 Program. In addition, $1.75 million soybean meal was sold for the first time to the private sector under the GSM-102 Export Credit Guarantee Program.

--Jordan Purchases U.S. Wheat, Corn and Concentrates under GSM-102. For the first time in several years Jordan purchased U.S. agricultural commodities buying $2.8 million of corn and $19.9 million of wheat from the U.S. under the GSM-102 Program.

2. CCC Direct Sales Program. The Commodity Credit Corporation Charter Act and Section 407 of the Agricultural Act of 1949 provide legal authority for direct sales of CCC-owned commodities for export. Direct sales are negotiated on a case-by-case basis, and may be for cash or on a credit basis.

During fiscal year 1985, five direct sales agreements were entered into: Mexico--10,000 metric tons of nonfat dry milk; Iraq--12,000 metric tons of nonfat dry milk and 2,560 metric tons of butteroil; Mexico--5,000 metric tons of nonfat dry milk; Jamaica--3,000 metric tons of butteroil; and Spain--40,000 metric tons of nonfat dry milk.

3. Export Enhancement Program. In May of 1985, the Secretary of Agriculture announced an Export Enhancement Program. The major objectives of the program are to expand U.S. agricultural exports and to encourage our trading partners to begin serious negotiation on agricultural trade problems. The program offers government-owned commodities as bonuses to exporters to expand sales in targeted export markets. Competitive bids are offered to the Commodity Credit Corporation (CCC) by exporters to obtain the bonus commodities. The program will involve up to $2 billion of CCC-owned commodities during fiscal years 1985-1988.

Initiatives under the program must satisfy four criteria:
a) additionality - sales must increase U.S. agricultural exports above what would have occurred in the absence of the program; b) targeting - sales will be targeted on specific market opportunities, especially those that challenge competitors which subsidize their exports; c) cost effectiveness - sales should result in a net plus to the overall economy; and d) budget neutrality - sales should not increase budget outlays beyond what would have occurred in the absence of the program.

As of September 30, six initiatives had been announced under the program: sales of wheat to Algeria, wheat and wheat flour to Egypt, wheat and wheat flour to Yemen, and wheat to Morocco.

PUBLIC LAW 480

The General Sales Manager is responsible for policy formulation and program administration for the Department of Agriculture in those Public Law 480 activities for which the Department has been assigned major responsibility. Generally, the Department has primary programing responsibility for the Title I concessional sales program and the Agency for International Development (AID) has comparable responsibility for the Title II donations program. Title I/III operational activities are also the responsibility of the Department, while Title II operational activities are the joint responsibility of the Department and AID.

A. Title I/III Objectives: To Combat Hunger and Malnutrition; to Expand International Trade; to Develop and Expand Dollar Export Markets for U.S. Agricultural Commodities in Order to Improve Farm Income and Assist the U.S. Balance of Payments; to Assist in the Economic Development of Friendly Countries; and to Serve the Foreign Policy Objectives of the United States.

1. Title I/III Programing. During FY 1985, Title I/III agreements were signed with 32 food deficit countries. The total export value of these agreements was $1,005.4 million and provided for the export of 5.6 million metric tons of food commodities, tallow and cotton. Wheat and wheat flour constituted the largest share of commodities financed under Title I/III agreements (4.7 million metric tons grain equivalent); followed by rice (472,600 metric tons); feedgrains (208,300 metric tons); vegetable oil (189,000 metric tons); cotton (64,300 bales); and tallow (49,200 metric tons).

2. Market Development. The development of foreign markets for U.S. agricultural products is a primary objective of the P.L. 480 Title I/III Program. In addition to creating new markets, P.L. 480 offers foreign participants experience in the business of importing U.S. agricultural commodities, encouraging buyers to turn to the familiar U.S. market for their commercial imports of agricultural products.

--P.L. 480 Title I Maintains Wheat, Tallow, and Vegetable Oil Markets in Guatemala. During 1985 the Government of Guatemala signed a $21 million P.L. 480 Title I agreement to provide for purchases of approximately 56,000 metric tons of wheat, 13,000 metric tons of tallow, and 6,000 metric tons of vegetable oil. During a period of extreme economic difficulty, the P.L. 480 Program has ensured Guatemala's ability to meet wheat, tallow, and vegetable oil import needs. During FY 1984, Guatemala received its first P.L. 480 Title I Program of $7 million for vegetable oil. The FY 1985 program was increased to $21 million to assist Guatemala in meeting these important import needs and continued U.S. Government efforts to assist in economic stabilization in Latin America.

--Dominican Republic - P.L. 480 Ensures Needed Food Imports During Time of Social Turmoil and Financial Crisis. The U.S. Government increased its level of assistance to the Dominican Republic under P.L. 480, Title I in fiscal 1985 to over $40 million. The previous year 60 people had been killed in food riots protesting an increase in the price of cooking oil. Additionally, the Dominican Republic's financial problems this year closed off the possibility of using GSM-102 credit guarantees to finance food imports. Title I assistance thus helped to meet a substantial portion of the country's needed food imports.

--P.L. 480 Expands U.S. Wheat and Wheat Flour Sales to Sudan. In FY 1985, Sudan's import requirements for wheat and wheat flour soared dramatically as the result of a drought that cut domestic wheat production by 68 percent. In response to these needs, the United States supplied Sudan with $64.5 million to finance wheat and wheat flour shipments under the P.L. 480 Title I Program, and $13.2 million for ocean freight financing. Given Sudan's precarious financial situation and subsequent inability to increase its commercial purchases of wheat/wheat flour, sales under P.L. 480 permitted the U.S. to satisfy approximately 70 percent of the country's import requirements in wheat and wheat flour.

--P.L. 480 Increases Sales of Rice and Wheat to Morocco. Overseas marketings of rice and wheat were expanded under the FY 1985 P.L. 480 Title I Program. Exporters shipped over 20,000 metric tons of rice to Morocco at a value of $5.0 million. Nearly 400,000 metric tons of wheat went to Morocco, an increase of 114,000 metric tons over FY 1984.

--U.S. Wheat Enters Zimbabwe through P.L. 480 Program. Adversity in the form of water shortages led to a P.L. 480 Program for Zimbabwe in FY 1985. Insufficient irrigation contributed to a shortage of domestically produced wheat. But an $8.0 million shipment of P.L. 480 wheat covered the deficit and began a successful working relationship between the two nations that could lead to commercial U.S. sales.

--P.L. 480 Title I Increased Wheat Sales and Introduced Cotton Exports to Zaire. P.L. 480 Title I concessional wheat sales to Zaire increased from $8.0 million in FY 1984 to $13.0 million in FY 1985. This enabled Zaire to meet its import requirement during a period of economic difficulty and the United States to maintain a large share of Zaire's total wheat imports. The Title I Program also introduced $7.0 million in U.S. cotton exports to Zaire which helped maintain domestic textile production. Zaire's domestic textile industry is troubled by high cotton prices, scarcity of foreign exchange and limited product demand. Title I cotton allowed the textile companies to increase both their domestic production capacity and their cash flow.

--P.L. 480 Title I Program Helps Maintain Wheat and Rice Sales to Yemen. In FY 1985 the Yemen Arab Republic signed a P.L. 480, Title I agreement totaling $12 million for the export of approximately 29,000 metric tons of wheat and 20,000 metric tons of rice. Dry weather in Yemen during the past three years has reduced domestic wheat production. To meet domestic demand, wheat and wheat flour imports have increased by approximately 45 percent from the early 1980s. The P.L. 480 agreement helped to meet the increased Yemen import requirement and to expand U.S. wheat sales.

--The Philippines Obtains Rice Under P.L. 480 Title I Program. In FY 1985, the Government of the Philippines signed a P.L. 480, Title I agreement totaling $40 million for the export of approximately 154,000 metric tons of rice. The agreement helped to counter a rice production shortfall in the Philippines and to expand U.S. rice sales.

--P.L. 480 Title I and GSM-102 Programs Help Maintain Vegetable Oil Sales to Pakistan. The United States continues to maintain about 50 percent of Pakistan's vegetable oil market through P.L. 480 Title I and GSM-102 Programs. By using these programs to maintain an even rate of sales throughout the year to Pakistan, U.S. exports of vegetable oil were at a higher level than they otherwise would have been. Without these programs, the annual Pakistan market of about 500-600 thousand metric tons of vegetable oil would have been lost to competition from Malaysia and Brazil.

3. Concessional Food Aid Shipments Programed to Poorest Recipient Countries. In accordance with Section 111 of Public Law 480, allocations of Title I/III food commodities during the FY 1985 programing period complied with the "75/25" allocation ratio. Section 111 provides that at least 75 percent of food commodities programed under Title I/III must be allocated to countries which fall below the poverty criterion established for International Development Association (IDA) financing and which are unable to secure sufficient food for their immediate requirements through their own production or commercial purchases abroad. Final FY 1985 allocations provided for 84 percent of food commodities to be programed to countries below the IDA poverty criterion of $790 per capita gross national product. Initial FY 1986 allocations provide for 86 percent of food commodities to be programed to these countries.

4. Food for Development--Title III. The Food for Development Program (Title III) was added to the P.L. 480 Program in 1977 in order to encourage the use of P.L. 480 resources for agricultural and rural development. The Food for Development Program allows those foreign governments below the IDA per capita GNP poverty criterion to purchase agricultural commodities on Title I concessional terms for resale in their own countries. Instead of repaying the United States Government for the commodities, however, proceeds from local sales (or the commodities themselves) are used in self-help projects designed to increase farm production; improve storage, transportation and distribution of farm products; or improve the quality of rural life through health and nutrition or family planning programs. As the currencies are used, an equivalent dollar value of the original Title I repayment obligation is offset.

From FY 1979 through FY 1984, the U.S. Government has signed Title III agreements with Bangladesh, Bolivia, Egypt, Honduras, Senegal and Sudan for appropriately $745.3 million. During FY 1985, Title III agreements or amendments to existing multi-year agreements were signed with three governments: Bangladesh ($94.5 million); Honduras ($2.5 million); and Haiti ($15.0 million).

FY 1985 Title III Agreements

In Bangladesh Title III has helped implement several major reforms: farmers are being provided an incentive to increase domestic food grain production, elements of the food rationing system have been phased down, and sales of government-owned stocks of grain are used to moderate consumer prices. Each of these reforms was included in the 1982 Food for Development Agreement.

Honduras is committed to: carrying out institutional reorganization of its public agriculture institutions; providing greater support for the exploitation of potential exports of non-traditional crops, particularly by the private sector; and developing a farmer cooperative system which can facilitate the efficient delivery of government resources.

Haiti has agreed to undertake the following activities: to provide support for the disease monitoring of swine repopulation program; strengthen institutional capacity in agricultural statistics and research/extension on farming systems; improve rural credit services; implement soil conservation; increase the productive and commercial capacity for cash crops; and improve and support cereal production.

B. Title II Objectives: To Provide Humanitarian Relief; to Combat Malnutrition, Especially in Vulnerable Groups; to Promote Economic and Community Development Through Food for Work Programs; and to Support School Lunch and Pre-School Feeding Programs in Less Developed Countries.

1. Title II Programing. During FY 1985, the United States programed through the Title II Program 2.98 million metric tons on a grain equivalent basis (MTGE) of food commodities valued at $617.2 million to malnourished people in 80 countries. Of this amount, at least 1.1 million tons were provided to the regular on-going feeding program. The donations to the World Food Program contributed to the biennial U.S. pledge of $250.0 million, as well as the U.S. contribution to the 1984/85 International Emergency Food Reserve.

During FY 1986, it is presently expected that the Title II program donations will be 2.2 million metric tons grain equivalent valued at $482.8 million.

Title II donations consist primarily of wheat and feedgrains and their products. Other donated commodities included vegetable oil, nonfat dry milk, processed foods, and soy-fortified products. These latter commodities supply needed caloric and protein benefits to vulnerable groups in keeping with the nutritional objectives of the Title II Program.

> --50 Percent of sub-Sahara Africa's Food Aid Needs are Met. The United States was the leading contributor to meeting the food need created by the African drought. The two largest recipients were Ethiopia (544,000 metric tons) and Sudan (600,000 metric tons). Other large beneficiaries were Mozambique (62,000 metric tons), Niger (147,000 metric tons) and Mali (85,000 metric tons).
>
> --Regular Title II Assistance is Targeted Toward Vulnerable Groups. While most Title II assistance this year was concentrated in Africa, successful regular feeding programs continued in many countries including Peru (45,000 metric tons), El Salvador (45,000 metric tons), India (280,000 metric tons), and Bangladesh (181,000 metric tons).
>
> --U.S. Aids Cyclone Victims in Bangladesh. The United States provided 26,000 metric tons of wheat for relief to those victims left destitute from a cyclone.

2. Food Aid Convention. Food assistance provided through both the Title I/III and Title II programs of P.L. 480 contributes to meeting the annual U.S. pledge of 4.47 million metric tons of foodgrains to the Food Aid Convention of the International Wheat Agreement. This pledge target was achieved in FY 1985 and is expected to be achieved in FY 1986.

3. Food Security Wheat Reserve. The Food Security Wheat Reserve Act of 1980 established a 4 million metric ton wheat reserve to assure adequate back-up stocks for the P.L. 480 Program. Up to 300,000 metric tons may be released from the reserve in any fiscal year, without regard to the domestic supply situation, whenever wheat is needed for emergency relief purposes, but cannot be programed in a timely manner under normal Public Law 480 procedures.

This year, for the first time, the President determined that up to 300,000 metric tons of wheat could be released from the reserve to meet urgent and unprecedented food aid needs in Africa. The wheat reserve helped to maintain the pipeline to Africa until additional funds under Title II could be approved for the African emergency. Ethiopia (including Ethiopian refugees in Sudan) received the largest portion of the wheat reserve at close to 220,000 metric tons. Other recipients included Sudan, Somalia, and Tanzania.

SECTION 416 of the

AGRICULTURAL ACT OF 1949

In September 1982, Section 416 of the Agricultural Act of 1949 was amended to authorize the Commodity Credit Corporation (CCC) to donate dairy products. Later actions included wheat in this program. Such food products may be donated through foreign governments, public and private nonprofit humanitarian organizations, and international organizations. However, donations must be coordinated with and complement other United States foreign assistance efforts and comply with the principle of additionality. The Agency for International Development acts as the agent of the Commodity Credit Corporation for this program.

During FY 1985, approximately 146,763 metric tons of dairy products were obligated to 18 different countries in Section 416 agreements. This includes 94,831 metric tons of nonfat dry milk; 23,988 metric tons of butteroil; 3,295 metric tons of ultra-heat-treated milk; 1,783 metric tons of butter; and 22,866 metric tons of cheese. The largest volumes were delivered to Mexico, 25,558 metric tons; Ethiopia, 24,058 metric tons; Chile, 20,002 metric tons; Poland, 19,000 metric tons; and Mauritania with 10,650 metric tons.

PUBLIC LAW 480

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is used to reduce future appropriation requests.

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended:

1. Financing the sale of agricultural commodities for convertible foreign currencies, for dollars on credit terms, or for convertible foreign currency for use under Sec. 108 of the Act; and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III) (7 U.S.C. 1701-1715, 1727-1727f). Title I of the legislation authorizes financing of sales for convertible foreign currencies and for dollars on credit terms, including commodities exported under Title III Food for Development Programs. Sales for dollars or convertible foreign currencies may be made with foreign governments or U.S. and foreign private trade entities. The legislation provides for credit terms that are as favorable to the United States as the economy of the foreign country will permit, but not less than the terms for development loans made under sections 122(a) and 122(b) of the Foreign Assistance Act of 1961, as amended.

Title I sales may also be financed for convertible foreign currencies to be loaned to financial intermediaries in the recipient countries. These funds would be reloaned to promote private enterprise institutions. Loans repaid by the financial intermediaries may be reloaned for private enterprise investment, used to develop new markets, pay U.S. obligations, or be converted to U.S. dollars.

Title I appropriated funds may also be used under the Food for Progress Act to furnish commodities on credit terms or on a grant basis to assist countries that have a commitment to introduce and expand free enterprise elements in their agricultural economies.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1726). Commodities are supplied without cost to developing countries to combat malnutrition, and to meet famine and other emergency requirements. The Corporation pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal distribution costs in emergency situations. Each year, up to $7.5 million of foreign currencies accruing under Title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

Available Funds, 1985 Actual
and Estimated 1986 and 1987

Item	1985 Actual	1986 Estimated	1987 Estimated
Foreign Assistance Programs (P.L. 480):			
Financing the sale of agricultural commodities for convertible foreign currencies, for dollars on credit terms and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III).............	$1,052,773,549	$1,030,000,000	$944,400,000
Commodities supplied in connection with dispositions abroad (Title II)......................	1,052,590,176	781,930,700	600,000,000
Total program level............	2,105,363,725	1,811,930,700	1,544,400,000
Costs financed from receipts, prior year balances and CCC funds (net).	-366,363,725	-512,772,700	-380,000,000
Emergency reserve for African famine relief.....................	225,000,000	---	---
Total appropriation (P.L. 480)......	1,964,000,000	1,299,158,000	1,164,400,000

NOTE: The fiscal year 1985 program levels include costs of $175 million for Titles I and III and $60 million for Title II, which were financed from the fiscal year 1984 supplemental appropriations included in carryover funds at the end of fiscal year 1984. The fiscal year 1985 appropriation was adjusted to reflect transfers of $90 million in both program level and appropriation from Titles I and III to Title II, under the authority of the proviso in the 1985 Continuing Resolution.

The Emergency Reserve for African Famine Relief of $225 million was included in the fiscal year 1985 Title II supplemental appropriation act. This reserve is to remain available until September 30, 1986, but may not be obligated or expended until the President certifies that the use of these funds is essential to continuing famine relief in Africa. Use of this reserve is not included in these estimates.

The fiscal year 1986 program level for Title II includes $131,930,700 to be financed from the 1985 Title II supplemental which remains available until December 31, 1985. Of these unobligated funds, $50,700,000 were not released from deferral status until the first quarter of fiscal 1986.

Obligations incurred in a fiscal year under Public Law 480 consist of Title I sales registrations (based on anticipated export date by September 30) and Title II commodity purchases for which a notice to deliver has been issued for port delivery by September 30, and related transportation and other costs. In order to obtain the amount of costs financed by CCC in the fiscal year, these obligations, which are equivalent to the program level limitation in the appropriation language, are adjusted to include prior year obligations financed in the current fiscal year, and to exclude current year obligations that will not be financed until the following fiscal year. By law, P.L. 480 funds remain available until expended. However, the FY 1984 supplemental appropriation of $175 million for Titles I and III was available only until September 30, 1985, and the $60 million for Title II was available only until March 31, 1985. A FY 1985 supplemental appropriation provided $384 million for Title II to be available only until December 31, 1985, and $225 million for an Emergency Reserve for African Famine Relief to be available only until September 30, 1986.

The following table reconciles the program level to program costs financed by CCC:

Reconciliation of Program Level to Program Costs Funded by CCC

Item	1985 Actual	1986 Estimated	1987 Estimated
Titles I/III			
Gross commodity costs................	$1,001,010,079	$946,700,000	$845,000,000
Ocean transportaton..................	21,564,436	8,300,000	---
Ocean freight differential...........	98,276,923	103,500,000	117,400,000
Subtotal............................	1,120,851,438	1,058,500,000	962,400,000
Initial payments to exporters........	-21,233,086	-28,500,000	-18,000,000
Total program level, current year	1,099,618,352	1,030,000,000	944,400,000
Prior year obligations financed......	76,706,912	123,551,715	123,551,715
Obligations financed in succeeding year................................	-123,551,715	-123,551,715	-123,551,715
Total program costs, funded......	1,052,773,549	1,030,000,000	944,400,000
Title II			
Commodity costs......................	$617,200,000	438,400,000	394,200,000
Ocean and inland transportation......	450,869,000	343,530,700	205,800,000
Total program level, current year.........................	1,068,069,000	781,930,700	600,000,000
Prior year obligations financed......	273,157,843	288,636,667	288,636,667
Obligations financed in succeeding year................................	-288,536,667	-288,636,667	-288,636,667
Total program costs, funded...	1,052,590,176	781,930,700	600,000,000

Actual FY 1984 Title I receipts of $374.1 million were $95.9 million lower than the 1984 budget estimate of $470.0 million. Savings of $30.8 million, in lower commodity and ocean freight differential costs, were used to reduce the receipt shortfall to a net of $65.1 million. Actual FY 1985 receipts, which were $74.3 million higher than the 1985 budget estimate of $316.0 million, were used to offset this FY 1984 receipt shortfall.

PUBLIC LAW 480

These estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Public Law 480

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691, 1701-1715, 1721-1726, 1727-1727f, 1731-1736g), as follows: (1) financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms pursuant to titles I and III of said Act, or for convertible foreign currency for use under 7 U.S.C. 1708, and for furnishing commodities to carry out the Food for Progress Act of 1985, not more than [$1,030,000,000] $944,400,000; of which [$657,000,000] $564,400,000 is hereby appropriated and the balance derived from proceeds from sales of foreign currencies and dollar loan repayments, repayments on long-term credit sales and carryover balances, and (2) commodities supplied in connection with dispositions abroad, pursuant to title II of said Act, not more than [$650,000,000] $600,000,000, of which [$650,000,000] $600,000,000 is hereby appropriated: Provided, That not to exceed 10 per centum of the funds made available to carry out any title of this paragraph may be used to carry out any other title of this paragraph.

The change in language adds financing of sales of agricultural commodities for convertible foreign currencies to be loaned to financial intermediaries for use in private enterprise projects and activities, and furnishing of agricultural commodities to carry out the provisions of the Food for Progress Act of 1985, as authorized by the Food Security Act of 1985.

PUBLIC LAW 480

	(Titles I and III) Financing the Sale of Agricultural Commodities for Convertible foreign Currencies and for Dollars on Credit Terms, and Furnishing Commodities for Food for Progress	(Title II) Commodities Supplied in Connection with Dispositions Abroad	Total
Appropriation Act, 1986...	$657,000,000	$650,000,000	$1,307,000,000
Budget Estimate, 1987......	564,400,000	600,000,000	1,164,400,000
Increase or Decrease in Appropriation............	-92,600,000	-50,000,000	-142,600,000
Adjustments in 1986:			
Appropriation Act, 1986..	657,000,000	650,000,000	1,307,000,000
Less Pro-Rata Reduction, P.L. 99-190.............	-3,942,000	-3,900,000	-7,842,000
Adjusted base for 1986.....	653,058,000	646,100,000	1,299,158,000
Budget Estimate, 1987......	564,400,000	600,000,000	1,164,400,000
Decrease from adjusted 1986.....................	-88,658,000	-46,100,000	-134,758,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III)....................	$653,058,000	-$88,658,000	$564,400,000
Commodities supplied in connection with dispositions abroad (Title II)..	646,100,000	-46,100,000	600,000,000
TOTAL AVAILABLE.......................	1,299,158,000	-134,758,000	1,164,400,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III)....................	$615,000,000	$653,058,000	(1) -$88,658,000	$564,400,000
2. Commodities supplied in connection with dispositions abroad (Title II).	a/ 1,349,000,000	646,100,000	(2) -46,100,000	600,000,000
Total appropriation.........	1,964,000,000	1,299,158,000	-134,758,000	1,164,400,000

a/ Includes $384.0 million supplemental appropriation available until December 31, 1985, and a $225.0 million supplemental for an Emergency Reserve for African Famine Relief to be available until September 30, 1986.

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Financing the sale of agricultural commodities for foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	$1,052,773,549	$1,030,000,000	-$85,600,000	$944,400,000
2. Commodities supplied in connection with dispositions abroad (Title II).	1,052,590,176	781,930,700	-181,930,700	600,000,000
Total program level.........	2,105,363,725	1,811,930,700	-267,530,700	1,544,400,000
Adjustments to appropriation:				
Title I:				
Receipts from sale of foreign currencies and loan repayments and repayments on long-term credit sales to finance the program....	-390,263,054	-373,000,000	-7,000,000	-380,000,000
Unexpended balances (includes balances in the Corporation):				
Funds brought forward	-186,612,705	-139,102,210	+3,942,000	-135,160,210
Funds carried forward	139,102,210	135,160,210	---	135,160,210
Title II:				
Funds brought forward....	-352,326,843	-291,805,967	+3,900,000	-287,905,967
Funds carried forward....	291,805,967	287,905,967	---	287,905,967
Unobligated balance brought forward.........	---	-356,930,700	+356,930,700	---
Unobligated balance carried forward.........	356,930,700	---	---	---
Unobligated balance lapsing................	---	225,000,000	-225,000,000	---
Total appropriation.........	1,964,000,000[a]	1,299,158,000	-134,758,000	1,164,400,000

[a] Includes $384.0 million supplemental appropriation available until December 31, 1985 and a $225.0 supplemental appropriation for an Emergency Reserve for African Famine Relief to be available until September 30, 1986.

The preceding project statement reflects estimated program costs on the basis of available funds, including 1984 obligations financed in fiscal year 1985 from available unexpended 1984 balances and 1985 funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities, and similar factors.

The amounts provided in the appropriation for Title II are not fully controlling since the basic law permits the Government to enter into multiyear programs of assistance involving expenditures which must be financed from subsequent appropriations. However, such programs may not exceed the program level authorized in appropriation acts, adjusted for transfers to or from Titles I/III, within amounts specified by the Proviso in the appropriation language. On the other hand, if funds appropriated are in excess of amounts actually used in an actual year, adjusted for any applicable transfers, such amounts are applied against current year estimated costs and reduce the subsequent appropriations requested for the budget year.

EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of available agricultural commodities are made to developing countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports, and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that which is needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars, unless the Secretary determines that some part of the supply should be used for urgent humanitarian purposes. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for agreements to finance sales and programs of assistance under Public Law 480 was extended through December 31, 1990, by Public Law 99-198, approved December 23, 1985. No agreements to finance sales under Titles I and III or donations under Title II shall be made with North Vietnam unless by an act of Congress authorizing such assistance, enacted after July 1, 1973.

TITLE I

The P.L. 480 appropriation is deposited with the Commodity Credit Corporation. The Corporation then finances all sales made pursuant to agreements concluded under Title I. Sales are made to friendly countries--as defined in section 103(b) of the Act--and do not displace expected commercial sales for cash dollars (sections 103(c) and (n)). No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale will be used for specific projects or programs which the President determines would directly benefit the needy people of that country.

Agreements may not be made under Title I (including credit furnished for Food for Development Programs) in any calendar year which call for an appropriation to reimburse the Corporation in excess of $1.9 billion, plus unused prior years' authorization.

In considering sales negotiations, countries which are unable to produce or commercially purchase adequate food for immediate needs, and which meet the poverty criterion established for International Development Association financing are to receive not less than 75 percent of the food aid commodities allocated and agreed to be delivered in each fiscal year unless the President certifies that such food assistance to other countries is required for humanitarian purposes or the required 75 percent allocation could not be used effectively.

Agreements for sales of agricultural commodities for foreign currencies have not been authorized since December 31, 1971. In cases where dollar credit sales are not possible, convertible foreign currency credit sales are authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement.

In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, support U.S. foreign policy interests, and encourage economic development in the developing countries. Agreements are made with the governments of friendly nations, financial institutions acting on behalf of such nations, or with the United States and foreign private trade entities.

Repayments for agricultural commodities sold under Title I may be made, with interest at the minimum rates set by law, either in U.S. dollars on credit terms up to 20 years, with a grace period of up to two years; or in foreign currencies convertible to dollars for up to 40 years, with a grace period of up to ten years. Interest is charged from the date of last delivery in each calendar year. Payments received each year are applied against current costs to reduce the appropriation request.

Under certain conditions, the President is authorized to require payment upon delivery, in dollars or foreign currencies, of amounts needed for payment of U.S. obligations and certain other purposes. Whenever practicable, terms of agreements must require payment at time of delivery of not less than 5 percent of the purchase price in dollars or in currencies convertible to dollars. These initial payments are made to exporters and reduce the commodity costs financed.

Sales agreements may also be made for convertible foreign currencies which are to be loaned to financial intermediaries in the recipient countries. Under such agreements, the financial intermediaries would reloan the currencies to promote private enterprise investment. Currency repaid by a financial intermediary may be reloaned to finance additional private enterprise investment, used to develop new markets for U.S. agricultural commodities, used to pay U.S. obligations, or be converted to dollars. Sales agreements for currency loans shall be made at an annual level of not less than ten percent of the total value of all sales made under this title, unless the minimum compliance would significantly reduce the total level of commodities furnished, or if such sales agreements would generate currency in amounts that could not be productively used and absorbed in the country's private sector.

For most sales agreements under Title I, the Corporation will pay ocean freight charges only to the extent of the differential between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used by authority of the Cargo Preference Act. In limited cases, full transportation costs to port of entry or point of entry abroad may be included with the cost of the commodity in the amount financed by CCC to ensure that U.S food aid will reach the most needy recipients. On agreements made under Title III Food for Development, the Corporation may finance freight from U.S. ports to ports of entry or to designated points of entry abroad in the case of landlocked countries.

TITLE III

The estimates for Title I include estimated costs of financing Food for Development Programs under Title III. Commodities may be furnished for periods from one to five years following a Presidential determination of country eligibility and formulation of approved development projects or activities. Unless a Presidential waiver with an accompanying explanation of such action is reported to Congress, agreements entered into under Title III for fiscal year 1986 and succeeding fiscal years shall have an aggregate value of not less than 10 percent of the aggregate value of all agreements entered into under Title I for the corresponding fiscal year.

Proceeds from the sale of Title III commodities are to be disbursed for such purposes as approved in the agreement with each country and the disbursements shall be considered as payments for the purposes of sec. 103(b) of this Act. When commodities are used in development projects, the dollar sales value of such commodities shall be deemed to be a disbursement at the time of use. No other payment shall be required as part of any agreement to finance the sale of agricultural commodities under a Food for Development Program.

For the fiscal years 1979 through 1984, the total value of Title III agreements signed with Bangladesh, Bolivia, Egypt, Honduras, Senegal, and Sudan was approximately $745.3 million. In fiscal 1985 new agreements or amendments to existing multi-year agreements were signed with three governments: Bangladesh for $94.5 million, Haiti for $15.0 million, and Honduras for $2.5 million.

Bangladesh will continue to implement several major reforms which were included in the 1982 Food for Development agreement under which farmers are being provided an incentive to increase domestic food grain production. These reforms include phasing out certain elements of the food rationing system and using the sales of government-owned stocks of grains to moderate consumer prices.

Haiti has agreed to implement self-help projects to provide support for disease monitoring of a swine repopulation program, strengthen institutional capacity in agricultural statistics and research/extension in farming systems, improve rural credit services, implement soil conservation, increase the productive and commercial capacity for cash crops, and improve and support cereal production.

Honduras is committed to carrying out institutional reorganization of its public agriculture institutions; providing greater support for the exploitation of potential exports of non-traditional crops, particularly by the private sector; and developing a farmer cooperative system which can facilitate the efficient delivery of government resources.

During fiscal years 1986 and 1987, it is expected that a similar number of Title III agreements or amendments will be authorized.

Under the Food for Progress Act of 1985, the Corporation may finance the sale and exportation of agricultural commodities on credit terms, or on a grant basis, to support countries that have commitments to introduce or expand free enterprise elements in their agricultural economies. All commodities furnished are subject to the commodity availability criteria. For commodities furnished on a grant basis, the Corporation may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as are specified for commodities supplied under Title II.

TITLE II

Under Title II, as amended, commodities are supplied to developing areas to combat malnutrition, to meet famine or other urgent relief requirements, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States' commitment to the World Food Program. Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation.

The authorizing legislation requires that a minimum of 1.9 million metric tons (grain equivalent basis) of agricultural commodities be programmed each fiscal year from 1987 through 1990 under Title II. Of that amount, 1.425 million metric tons are to be distributed for nonemergency programs through voluntary agencies and the World Food Program, unless the President determines and reports to the Congress that such an amount cannot be used effectively or that the quantity is not available.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation.

The Corporation also finances the costs of ocean transportation to ports of entry, or to points of entry other than ports in the case of landlocked countries, or when the use of a point of entry other than port would result in substantial savings in costs or time. The Corporation may also pay transportation costs from designated ports of entry or points of entry abroad to storage and distribution sites, and associated storage and distribution costs for commodities, including prepositioned commodities, made available to meet urgent or extraordinary relief requirements.

Local distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by local governments. To the extent feasible, distribution priority is to be given to those suffering from malnutrition.

Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Beginning in 1986, programs of assistance shall not be undertaken under this title during any fiscal year which call for an appropriation to reimburse the Corporation in excess of $1 billion plus the unused prior year's authorization.

Under the authority of the Food Security Wheat Reserve Act of 1980 (P.L. 96-494), up to 300,000 metric tons of wheat may be released from the reserve for use under Title II to provide urgent humanitarian relief in any country which the President determines has suffered a major disaster, and when normal procurement methods will not provide the necessary assistance in a timely manner. Wheat released may be processed into flour or bulgur before export. Reimbursement to the Corporation for wheat released is to be made from funds appropriated for that purpose at the lower of the actual costs incurred by the Corporation or the export market price of wheat, as determined by the Secretary at the time of release. In fiscal year 1985 the President released 300,000 metric tons of wheat, and commodity requests were processed to provide emergency food assistance to four African nations. The 300,000 metric tons of wheat used has been replenished from CCC inventory.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of $88,658,000 for financing the sale of agricultural commodities for convertible foreign currencies, for dollars on credit terms, and furnishing commodities under the Food for Progress Act of 1985 (Titles I and III).

ITEM	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Program:				
Expenses of shipments:				
Commodity cost..........	$942,679,738	$918,200,000	(a)-$91,200,000	$827,000,000
Ocean transportation....	18,331,351	8,300,000	(b) -8,300,000	---
Ocean freight differential (support of U.S. Merchant Marine........	91,762,460	103,500,000	(b) +13,900,000	117,400,000
Total expenses of shipments...............	1,052,773,549	1,030,000,000	-85,600,000	944,400,000
Financing:				
Receipts from:				
Sales of foreign currency..............	-53,676,061	-16,600,000	+7,900,000	-8,700,000
Repayments on long-term credit................	-336,586,993	-356,400,000	-14,900,000	-371,300,000
Subtotal.............	-390,263,054	-373,000,000	-7,000,000	-380,000,000
1984 funds used for 1985 costs...............	1/ -186,612,705	---	---	---
1985 funds used for 1986 costs...............	139,102,210	-139,102,210	+139,102,210	---
1986 funds used for 1987 costs...............	---	135,160,210	-270,320,420	-135,160,210
1987 funds used for 1988 costs...............	---	---	+135,160,210	135,160,210
Net financing.........	-437,773,549	-376,942,000	(c) -3,058,000	-380,000,000
Total available or estimate................	615,000,000	653,058,000	-88,658,000	564,400,000

1/ Includes $175,000,000 supplemental appropriation available until September 30, 1985.

Need for change.

A decrease in the estimated cost of fiscal year 1987 commodity shipments is partially offset by an increase in ocean freight differential costs.

Nature of Change.

(a) A decrease of $91,200,000 in commodity costs ($918,200,000 available in 1986). Major changes from 1986 estimates in volume of shipments, in unit prices, and projected commodity costs are as follows:

	Change in Estimated Shipments	Change in Cost of Shipments
	(in thousands)	
Increases:		
Corn (bushel)	+3,715	+$9,500
Tallow (pound)	+3,648	+1,100
Unallocated reserve (metric tons)	+366	+55,700
Initial payments	xx	+10,500
Total increases	xx	+76,800
Decreases:		
Wheat and products (bu)	-26,345	-125,800
Milled rice (cwt)	-872	-17,700
Upland cotton (bale)	-23	-7,300
Vegetable oil products (pound)	-20,505	-17,200
Total decreases	xx	-168,000
Net decrease	xx	-91,200

(b) A net increase of $5,600,000 in ocean transportation and ocean freight differential ($111,800,000 available in 1986). This reflects an increase in the average rate per ton for ocean freight differential on shipments required to be made on U.S.-flag vessels partly offset by lower metric tonnage resulting from the commodity changes shown above. The fiscal year 1986 estimates include $8.3 million for financing full ocean transportation on shipments to Sudan and possibly Somalia. No full ocean transportation financing costs are included in the fiscal year 1987 estimates.

(c) A decrease of $3,058,000 in net financing due to increased receipts applied to program costs partly offset by lower prior year funds available ($376,942,000 available in 1986). The net increase in receipts reflects an increase in projections of scheduled long-term credit repayments, which are adjusted for probable nonpayment, rescheduling, and Title III forgiveness, partly offset by the continuing decline in estimated foreign currency sales proceeds. The decrease in unexpended funds at the end of fiscal year 1986 reflects the use of available funds to offset the $3,942,000 pro rata appropriation reduction in P.L. 99-190.

Program costs consist of the export value of commodities shipped and authorized ocean freight transportation and ocean freight differential costs for shipments made in U.S.-flag vessels.

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1985, 1986, and 1987. (NOTE--Credits (-) shown for initial payments to exporters are authorized by Sec. 103(k) of Title I. These initial payments are made directly to the exporters by the importers. The Corporation does not receive these payments.):

Public Law 480, Titles I and III
Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1985-1987:

Commodity	Unit of Measure	1985 Actual		1986 Estimate		1987 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn......................	bushel	8,617,000	$26,891,658	4,804,000	$13,500,000	8,519,000	$23,000,000
Barley....................	bushel	-800	---	---	---	---	---
Total feed grains......	bushel	xx xx	26,891,658	xx	13,500,000	xx	23,000,000
Wheat and products..........	bu. eq.	164,104,666	629,853,705	173,640,000	647,800,000	147,294,924	522,000,000
Rice, milled...............	cwt.	10,022,144	129,105,505	6,305,000	86,700,000	5,433,000	69,000,000
Blended food products.......	cwt.	2,610,700	436,290	---	---	---	---
Cotton, upland..............	bale	38,799	11,927,511	80,000	25,300,000	57,000	18,000,000
Vegetable oil products......	pound	420,657,180	130,057,621	441,645,000	119,200,000	421,140,000	102,000,000
Tallow......................	pound	72,627,944	14,407,448	52,105,000	9,900,000	55,753,000	11,000,000
Unallocated reserve a/.......	Met.Ton	xx	---	263,846	44,300,000	630,296	100,000,000
Initial payment to exporters	xxx	xx	---	xx	-28,500,000	xx	-18,000,000
Total commodity costs....	xxx	xx	942,679,738	xx	918,200,000	xx	827,000,000
Ocean transportation........	Met.Ton	b/ 2,676,997	110,093,811	c/2,819,870	111,800,000	d/ 2,350,415	117,400,000
Total expenses of shipment..	xxx	xx	1,052,773,549	xx	1,030,000,000	xx	944,400,000

a/ The unallocated reserves for fiscal years 1986 and 1987 will be allocated in accordance with the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended, including Section 401 of that Act.

b/ Based on 49.8 percent of tonnage on U.S.-flag vessels at average rate. Includes $18,331,351 for full ocean transportation on 273,000 metric tons.

c/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate. Includes $8.3 million for full ocean transportation on 155,800 metric tons.

d/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate.

The following table shows account receivable activity for amounts billed, repayments, and amounts owed by foreign governments and private trade entities for Title I long-term credit sales, including the Title III, Food for Development Program, for fiscal years 1985, 1986, and 1987:

	1985 Actual	1986 Estimated	1987 Estimated
Balance outstanding, start of year:			
Principal	$9,268,945,409	$10,045,700,966	$10,757,839,284
Interest	214,559,644	269,707,703	325,963,629
Total	9,483,505,053	10,315,408,669	11,083,802,913
Amounts billed during year:			
Principal	975,099,993	921,500,000	827,000,000
Interest	228,403,033	247,124,244	264,642,846
Total	1,203,503,026	1,168,624,244	1,091,642,846
Repayments:			
Principal	-198,344,436	-209,361,682	-216,963,214
Interest	-173,254,974	-190,868,318	-215,186,786
Total	-371,599,410	-400,230,000	-432,150,000
Balance outstanding, end of year:			
Principal	10,045,700,966	10,757,839,284	11,367,876,070
Interest	269,707,703	325,963,629	375,419,689
Total	10,315,408,669	11,083,802,913	11,743,295,759

(2) A net decrease of $46,100,000 in amounts for financing commodities supplied in connection with dispositions abroad (Title II).

	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Program:				
Expenses of shipments:				
Commodity costs	$701,574,969	$438,400,000	(a) -$44,200,000	$394,200,000
Ocean transportation and inland distribution costs	351,015,207	343,530,700	(b) -137,730,700	205,800,000
Total expenses of shipments	1,052,590,176	781,930,700	-181,930,700	600,000,000
Purchase of foreign currencies for use in self help activities	---	---	---	---
Total program	1,052,590,176	781,930,700	-181,930,700	600,000,000
Financing:				
1984 funds used for 1985 costs	1/ -352,326,843	---	---	---
1985 funds used for 1986 costs	291,805,967	-291,805,967	+291,805,967	---
1985 unobligated balance carried forward	356,930,700	-356,930,700	+356,930,700	---
1985 unobligated balance lapsing	---	225,000,000	-225,000,000	---
1986 funds used for 1987 costs	---	287,905,967	-575,811,934	-287,905,967
1987 funds used for 1988 costs	---	---	+287,905,967	287,905,967
Net financing	+296,409,824	-135,830,700	(c) +135,830,700	---
Total available or estimate	2/ 1,349,000,000	646,100,000	-46,100,000	600,000,000

1/ Includes $60.0 million supplemental appropriation available through March 31, 1985, which was outlayed in fiscal year 1985.

2/ Includes $384.0 million supplemental appropriation available through December 31, 1985, and a $225.0 million supplemental for an Emergency Reserve for African Famine Relief to be available until September 30, 1986.

Need for Change.

A decrease in the fiscal year 1987 volume of shipments adjusted for changes in commodity unit prices is partially offset by a decrease in carryover funding at the end of fiscal year 1986.

Nature of Change

(a) A decrease of $44,200,000 in commodity costs ($438,400,000 available in 1986). Changes in shipments and commodity costs are as follows:

	Change in Estimated Shipments (in thousands)	Change in Cost of Shipments (in thousands)
Increases:		
Blended food products (lb.)......................	+47,281	+$5,827
Dry edible beans (cwt.)...........................	+85	+1,765
Vegetable oil products (lb.).....................	+19,494	+6,957
Total increases..................................	xx	+14,549
Decreases:		
Feed grains and products (metric tons)...........	-97	-$12,241*
Wheat and products (bu. equiv.)..................	-7,116	-36,202
Rice, milled (cwt)...............................	-333	-5,909
Soybean products (lb.)...........................	-366	-77
Peas, dried (lb.)................................	-1,427	-137
Butter (lb.).....................................	-2,200	-110
Cheese (lb.).....................................	-5,520	-276
Nonfat dry milk (lb.)............................	-28,700	-1,435
Lentils (lb.)....................................	-6,943	-2,362
Total decreases..................................	xx	-58,749
Total net decrease...............................	xx	-44,200

*Also reflects slightly higher commodity unit prices. Other commodities estimated in both years reflect either no change or lower unit prices.

(b) A decrease of $137,730,700 in ocean transportation and inland distribution ($343,500,700 available in 1986). This is due to lower total metric tonnage reflecting net decreases in commodity quantities listed above, and a lower rate per ton resulting from reduced inland distribution costs in connection with African relief programs.

(c) An increase of $135,830,700 in net financing due to lower prior year funds available ($135,830,700 available in 1986). Unexpended funds at the beginning of fiscal year 1986 include a $131,930,700 of the $384 million fiscal year 1985 supplemental appropriation, available until December 31, 1985, which will be obligated and outlayed in fiscal year 1986, and $3,900,000 used to offset the pro rata reduction in the 1986 appropriation for P.L. 99-190, reducing the unexpended funds available at the beginning of fiscal year 1987.

Costs financed include payment to the Corporation for its investment in commodities made available, including acquisition costs, storage, processing and packaging, inland transportation, and handling charges. Commodities supplied from the Corporation's inventory, if acquired under a price support program, are valued at a price not greater than the export market price at the time of delivery. Costs of ocean transportation are paid from U.S. ports to designated ports of entry abroad, or designated points of entry in landlocked countries, as well as any foreign currencies purchased for use in self-help activities.

The following table shows estimated expenses of shipments of commodity for fiscal years 1985, 1986, and 1987:

Public Law 480, Title II, Expenses of shipments, 1985-1987:

Commodity	Unit of Measure	1985 Actual Quantity	1985 Actual Value	1986 Estimate Quantity	1986 Estimate Value	1987 Estimate Quantity	1987 Estimate Value
Feed grains:							
Corn........................	bushel	14,177,790	$50,884,516	5,147,143	$14,902,000	2,948,321	$8,536,000
Corn products..............	pound	248,880,596	26,048,987	189,267,000	17,160,000	163,836,000	14,876,000
Grain sorghum..............	bushel	29,889,992	96,748,976	6,446,143	18,069,000	5,417,263	15,138,000
Sorghum products...........	pound	149,176,338	15,860,727	152,205,000	13,942,000	148,810,000	13,631,000
Oat products...............	pound	2,638,104	428,637	9,902,000	1,302,000	7,737,000	953,000
Total feed grains.......	xxx	xx	189,971,843	xx	65,375,000	xx	53,134,000
Wheat.......................	bushel	35,924,468	140,016,776	20,122,833	76,668,000	19,431,933	71,937,000
Wheat flour.................	pound	286,749,955	30,145,370	215,123,000	19,502,000	148,641,000	12,959,000
Bulgur......................	pound	516,492,067	51,850,185	818,687,000	71,889,000	549,334,000	46,961,000
Other wheat products........	pound	---	-5,424	---	---	---	---
Total wheat and products..	bu.equ.	51,778,815	222,006,907	39,941,328	168,059,000	32,825,549	131,857,000
Rice, milled................	cwt.	3,273,466	42,859,043	1,844,890	25,109,000	1,511,810	19,200,000
Rice products...............	pound	---	525	---	---	---	---
Beans, dry edible...........	cwt.	278,698	6,258,329	232,670	5,805,000	317,930	7,570,000
Blended food products.......	pound	431,153,750	63,960,167	411,605,000	49,445,000	458,886,000	55,272,000
Soybean products............	pound	200,000	26,208	421,000	89,000	55,000	12,000
Peas, dry whole.............	pound	19,758,242	3,632,134	14,137,000	1,924,000	12,710,000	1,787,000
Raisins.....................	pound	4,739,010	707,227	---	---	---	---
Butter......................	pound	1,522,531	85,897	2,200,000	110,000	---	---
Butter oil..................	pound	139,968	13,567	---	---	---	---
Cheese......................	pound	3,005,847	163,237	5,520,000	276,000	---	---
Milk, nonfat dry............	pound	319,833,586	16,820,105	316,260,000	15,813,000	287,560,000	14,378,000
Total dairy products......	pound	324,501,932	17,082,806	323,980,000	16,199,000	287,560,000	14,378,000
Peanut oil, refined.........	pound	---	338	---	---	---	---
Vegetable oil products......	pound	348,824,108	155,069,442	285,256,000	104,033,000	304,750,000	110,990,000
Lentils.....................	pound	---	---	6,943,000	2,362,000	---	---
Total commodity costs....	xxx	xxx	701,574,969	xxx	438,400,000	xxx	394,200,000
Ocean transportation........	met.ton	3,316,541	351,015,207	2,038,029	343,530,700	1,768,882	205,800,000
Total expenses of shipment..	xxx	xxx	1,052,590,176	xxx	781,930,700	xxx	600,000,000

Note: Metric tonnage shown is based on the pounds of products on which freight is actually paid, not on bushel equivalent of grain.

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SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Angola	15,946	5,616.2	1,810.0	7,426.2
Title I	0	0.0	0.0	0.0
Title II	13,786	4,212.2	1,410.4	5,622.6
Regular	387	157.8	28.1	185.9
Volag	0	0.0	0.0	0.0
WFP	387	157.8	28.1	185.9
G/G	0	0.0	0.0	0.0
Emerg.	13,399	4,054.4	1,382.3	5,436.7
Volag	6,382	2,030.1	500.4	2,530.5
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	7,017	2,024.3	881.9	2,906.2
Sec 416	2,160	1,404.0	399.6	1,803.6
Food Res.	0	0.0	0.0	0.0
Benin	4,841	1,436.1	476.9	1,913.0
Title I	0	0.0	0.0	0.0
Title II	4,786	1,400.3	466.7	1,867.0
Regular	4,786	1,400.3	466.7	1,867.0
Volag	2,279	738.4	284.9	1,023.3
WFP	2,507	661.9	181.8	843.7
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	55	35.8	10.2	46.0
Food Res.	0	0.0	0.0	0.0
Botswana	43,411	12,184.6	3,265.9	15,450.5
Title I	0	0.0	0.0	0.0
Title II	42,636	11,680.8	3,045.0	14,725.8
Regular	38,636	10,271.0	2,801.1	13,072.1
Volag	0	0.0	0.0	0.0
WFP	38,636	10,271.0	2,801.1	13,072.1
G/G	0	0.0	0.0	0.0
Emerg.	4,000	1,409.8	243.9	1,653.7
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	4,000	1,409.8	243.9	1,653.7
Sec 416	775	503.8	220.9	724.7
Food Res.	0	0.0	0.0	0.0

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SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Burkina Faso	72,572	17,728.8	12,171.7	29,900.5
Title I	0	0.0	0.0	0.0
Title II	72,067	17,400.5	12,027.8	29,428.3
Regular	25,696	7,292.5	3,032.0	10,324.5
Volag	22,266	6,269.4	2,783.3	9,052.7
WFP	3,430	1,023.1	248.7	1,271.8
G/G	0	0.0	0.0	0.0
Emerg.	46,371	10,108.0	8,995.8	19,103.8
Volag	23,371	6,698.6	5,222.8	11,921.4
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	23,000	3,409.4	3,773.0	7,182.4
Sec 416	505	328.3	143.9	472.2
Food Res.	0	0.0	0.0	0.0
Burundi	5,888	1,887.3	659.0	2,546.3
Title I	0	0.0	0.0	0.0
Title II	5,888	1,887.3	659.0	2,546.3
Regular	5,888	1,887.3	659.0	2,546.3
Volag	5,356	1,701.4	620.4	2,321.8
WFP	532	185.9	38.6	224.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Cameroon	9,784	3,918.1	1,785.8	5,703.9
Title I	0	0.0	0.0	0.0
Title II	9,526	3,750.4	1,738.1	5,488.5
Regular	886	585.4	64.2	649.6
Volag	0	0.0	0.0	0.0
WFP	886	585.4	64.2	649.6
G/G	0	0.0	0.0	0.0
Emerg.	8,640	3,165.0	1,673.9	4,838.9
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	8,640	3,165.0	1,673.9	4,838.9
Sec 416	258	167.7	47.7	215.4
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Cape Verde	9,580	1,986.1	911.8	2,897.9
Title I	0	0.0	0.0	0.0
Title II	8,883	1,533.0	782.9	2,315.9
Regular	8,850	1,523.8	779.1	2,302.9
Volag	0	0.0	0.0	0.0
WFP	3,850	798.8	279.1	1,077.9
G/G	5,000	725.0	500.0	1,225.0
Emerg.	33	9.2	3.8	13.0
Volag	33	9.2	3.8	13.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	697	453.1	128.9	582.0
Food Res.	0	0.0	0.0	0.0
C.A.R.	1,270	358.8	92.1	450.9
Title I	0	0.0	0.0	0.0
Title II	1,270	358.8	92.1	450.9
Regular	1,270	358.8	92.1	450.9
Volag	0	0.0	0.0	0.0
WFP	1,270	358.8	92.1	450.9
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Chad	75,489	22,116.5	21,289.8	43,406.3
Title I	0	0.0	0.0	0.0
Title II	70,789	19,061.5	19,950.3	39,011.8
Regular	13,670	3,854.3	1,117.3	4,971.6
Volag	2,403	600.0	300.4	900.4
WFP	11,267	3,254.3	816.9	4,071.2
G/G	0	0.0	0.0	0.0
Emerg.	57,119	15,207.2	18,833.0	34,040.2
Volag	18,000	4,845.8	6,531.1	11,376.9
WFP	11,620	1,954.9	3,701.1	5,656.0
IEFR	19,999	6,526.5	6,888.8	13,415.3
G/G	7,500	1,880.0	1,712.0	3,592.0
Sec 416	4,700	3,055.0	1,339.5	4,394.5
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Comoro Is.	863	213.1	62.6	275.7
Title I	0	0.0	0.0	0.0
Title II	863	213.1	62.6	275.7
Regular	863	213.1	62.6	275.7
Volag	0	0.0	0.0	0.0
WFP	863	213.1	62.6	275.7
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Congo	500	155.0	36.3	191.3
Title I	0	0.0	0.0	0.0
Title II	500	155.0	36.3	191.3
Regular	500	155.0	36.3	191.3
Volag	0	0.0	0.0	0.0
WFP	500	155.0	36.3	191.3
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Djibouti	3,651	1,488.7	456.3	1,945.0
Title I	0	0.0	0.0	0.0
Title II	3,651	1,488.7	456.3	1,945.0
Regular	3,651	1,488.7	456.3	1,945.0
Volag	3,651	1,488.7	456.3	1,945.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Eq. Guinea	1,712	619.3	166.9	786.2
Title I	0	0.0	0.0	0.0
Title II	1,332	372.3	96.6	468.9
Regular	1,332	372.3	96.6	468.9
Volag	0	0.0	0.0	0.0
WFP	1,332	372.3	96.6	468.9
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	380	247.0	70.3	317.3
Food Res.	0	0.0	0.0	0.0
Ethiopia	431,542	131,243.6	111,353.1	242,596.7
Title I	0	0.0	0.0	0.0
Title II	213,877	65,777.9	78,750.1	144,528.0
Regular	11,869	3,886.1	1,483.6	5,369.7
Volag	11,869	3,886.1	1,483.6	5,369.7
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	202,008	61,891.8	77,266.5	139,158.3
Volag	142,035	49,029.4	70,491.2	119,520.6
WFP	0	0.0	0.0	0.0
IEFR	9,973	3,428.9	1,736.2	5,165.1
G/G	50,000	9,433.5	5,039.1	14,472.6
Sec 416	26,039	23,080.6	4,817.3	27,897.9
Food Res.	191,626	42,385.1	27,785.7	70,170.8
Ethiopian Ref	67,104	21,248.8	14,071.8	35,320.6
Title I	0	0.0	0.0	0.0
Title II	43,239	15,186.9	10,914.1	26,101.0
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	43,239	15,186.9	10,914.1	26,101.0
Volag	41,619	13,608.5	10,744.8	24,353.3
WFP	0	0.0	0.0	0.0
IEFR	1,620	1,578.4	169.3	1,747.7
G/G	0	0.0	0.0	0.0
Sec 416	3,230	2,099.5	597.6	2,697.1
Food Res.	20,635	3,962.4	2,560.1	6,522.5

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SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Gambia	8,365	2,792.7	702.3	3,495.0
Title I	0	0.0	0.0	0.0
Title II	8,120	2,633.4	657.0	3,290.4
Regular	2,120	773.5	265.0	1,038.5
Volag	2,120	773.5	265.0	1,038.5
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	6,000	1,859.9	392.0	2,251.9
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	6,000	1,859.9	392.0	2,251.9
Sec 416	245	159.3	45.3	204.6
Food Res.	0	0.0	0.0	0.0
Ghana	41,699	18,088.3	5,997.9	24,086.2
Title I	13,919	9,000.0	0.0	9,000.0
Title II	27,780	9,088.3	5,997.9	15,086.2
Regular	18,578	6,235.9	1,779.4	8,015.3
Volag	11,276	3,983.6	1,250.0	5,233.6
WFP	7,302	2,252.3	529.4	2,781.7
G/G	0	0.0	0.0	0.0
Emerg.	9,202	2,852.4	4,218.5	7,070.9
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	9,202	2,852.4	4,218.5	7,070.9
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Guinea	22,080	6,674.7	190.8	6,865.5
Title I	21,000	6,000.0	0.0	6,000.0
Title II	80	24.7	5.8	30.5
Regular	80	24.7	5.8	30.5
Volag	0	0.0	0.0	0.0
WFP	80	24.7	5.8	30.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	1,000	650.0	185.0	835.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Guinea Bissau	3,769	709.9	346.4	1,056.3
Title I	0	0.0	0.0	0.0
Title II	3,666	642.9	327.3	970.2
Regular	666	246.7	48.3	295.0
Volag	0	0.0	0.0	0.0
WFP	666	246.7	48.3	295.0
G/G	0	0.0	0.0	0.0
Emerg.	3,000	396.2	279.0	675.2
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	3,000	396.2	279.0	675.2
Sec 416	103	67.0	19.1	86.1
Food Res.	0	0.0	0.0	0.0
Kenya	207,979	34,992.2	13,378.2	48,370.4
Title I	66,000	10,000.0	0.0	10,000.0
Title II	138,279	22,587.2	12,693.7	35,280.9
Regular	8,576	2,601.9	1,072.0	3,673.9
Volag	8,576	2,601.9	1,072.0	3,673.9
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	129,703	19,985.3	11,621.7	31,607.0
Volag	9,703	2,577.8	1,406.9	3,984.7
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	120,000	17,407.5	10,214.8	27,622.3
Sec 416	3,700	2,405.0	684.5	3,089.5
Food Res.	0	0.0	0.0	0.0
Lesotho	30,708	7,764.6	2,948.0	10,712.6
Title I	0	0.0	0.0	0.0
Title II	30,708	7,764.6	2,948.0	10,712.6
Regular	21,978	5,985.0	2,335.8	8,320.8
Volag	14,141	4,281.9	1,767.6	6,049.5
WFP	7,837	1,703.1	568.2	2,271.3
G/G	0	0.0	0.0	0.0
Emerg.	8,730	1,779.6	612.2	2,391.8
Volag	2,730	831.2	447.2	1,278.4
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	6,000	948.4	165.0	1,113.4
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

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Country	MTN	Commodity	Freight	Total
Liberia	18,000	6,000.0	0.0	6,000.0
Title I	18,000	6,000.0	0.0	6,000.0
Title II	0	0.0	0.0	0.0
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Madagascar	43.675	12,702.0	547.3	13,249.3
Title I	39,000	11,000.0	0.0	11,000.0
Title II	4,675	1,702.0	547.3	2,249.3
Regular	4,675	1,702.0	547.3	2,249.3
Volag	4,221	1,561.3	514.4	2,075.7
WFP	454	140.7	32.9	173.6
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Malawi	665	233.3	48.2	281.5
Title I	0	0.0	0.0	0.0
Title II	665	233.3	48.2	281.5
Regular	665	233.3	48.2	281.5
Volag	0	0.0	0.0	0.0
WFP	665	233.3	48.2	281.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1985
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Country	MTN	Commodity	Freight	Total
Mali	85,344	20,216.1	18,977.1	39,193.2
Title I	0	0.0	0.0	0.0
Title II	84,144	19,436.1	18,635.1	38,071.2
Regular	18,405	4,805.6	1,971.9	6,777.5
Volag	0	0.0	0.0	0.0
WFP	13,405	3,255.9	971.9	4,227.8
G/G	5,000	1,549.7	1,000.0	2,549.7
Emerg.	65,739	14,630.5	16,663.2	31,293.7
Volag	5,439	1,712.6	1,309.0	3,021.6
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	60,300	12,917.9	15,354.2	28,272.1
Sec 416	1,200	780.0	342.0	1,122.0
Food Res.	0	0.0	0.0	0.0
Mauritania	52,094	18,752.6	13,549.1	32,301.7
Title I	0	0.0	0.0	0.0
Title II	41,372	7,040.3	10,493.3	17,533.6
Regular	26,631	4,597.1	4,654.0	9,251.1
Volag	3,621	1,213.4	452.6	1,666.0
WFP	3,010	482.4	218.2	700.6
G/G	20,000	2,901.3	3,983.2	6,884.5
Emerg.	14,741	2,443.2	5,839.3	8,282.5
Volag	4,481	825.6	842.3	1,667.9
WFP	216	23.8	15.7	39.5
IEFR	44	13.1	3.6	16.7
G/G	10,000	1,580.7	4,977.7	6,558.4
Sec 416	10,722	11,712.3	3,055.8	14,768.1
Food Res.	0	0.0	0.0	0.0
Mozambique	149,364	31,208.3	10,257.9	41,466.2
Title I	87,000	17,000.0	4,000.0	21,000.0
Title II	56,620	8,487.7	5,195.2	13,682.9
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	56,620	8,487.7	5,195.2	13,682.9
Volag	14,145	2,242.4	3,175.9	5,418.3
WFP	225	116.4	16.3	132.7
IEFR	0	0.0	0.0	0.0
G/G	42,250	6,128.9	2,003.0	8,131.9
Sec 416	5,744	5,720.6	1,062.7	6,783.3
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1985
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Country	MTN	Commodity	Freight	Total
Niger	146,530	26,033.0	39,227.5	65,260.5
Title I	0	0.0	0.0	0.0
Title II	138,645	20,907.7	36,980.2	57,887.9
Regular	5,747	1,003.5	416.7	1,420.2
Volag	0	0.0	0.0	0.0
WFP	5,747	1,003.5	416.7	1,420.2
G/G	0	0.0	0.0	0.0
Emerg.	132,898	19,904.2	36,563.5	56,467.7
Volag	7,898	3,397.2	3,872.9	7,270.1
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	125,000	16,507.0	32,690.6	49,197.6
Sec 416	7,885	5,125.3	2,247.3	7,372.6
Food Res.	0	0.0	0.0	0.0
Rwanda	18,121	5,192.2	4,023.8	9,216.0
Title I	0	0.0	0.0	0.0
Title II	18,121	5,192.2	4,023.8	9,216.0
Regular	8,553	2,754.5	1,063.0	3,817.5
Volag	8,437	2,641.3	1,054.6	3,695.9
WFP	116	113.2	8.4	121.6
G/G	0	0.0	0.0	0.0
Emerg.	9,568	2,437.7	2,960.8	5,398.5
Volag	2,777	948.7	546.8	1,495.5
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	6,791	1,489.0	2,414.0	3,903.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Sao Tome	433	140.2	38.6	178.8
Title I	0	0.0	0.0	0.0
Title II	369	98.6	26.8	125.4
Regular	369	98.6	26.8	125.4
Volag	0	0.0	0.0	0.0
WFP	369	98.6	26.8	125.4
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	64	41.6	11.8	53.4
Food Res.	0	0.0	0.0	0.0

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Country	MTN	Commodity	Freight	Total
Senegal	35,949	6,973.8	4,554.4	11,528.2
Title I	0	0.0	0.0	0.0
Title II	35,949	6,973.8	4,554.4	11,528.2
Regular	21,018	4,905.7	2,571.4	7,477.1
Volag	19,955	4,747.1	2,494.3	7,241.4
WFP	1,063	158.6	77.1	235.7
G/G	0	0.0	0.0	0.0
Emerg.	14,931	2,068.1	1,983.0	4,051.1
Volag	931	219.3	135.0	354.3
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	14,000	1,848.8	1,848.0	3,696.8
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Seychelles	776	223.3	97.0	320.3
Title I	0	0.0	0.0	0.0
Title II	776	223.3	97.0	320.3
Regular	776	223.3	97.0	320.3
Volag	776	223.3	97.0	320.3
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Sierra Leone	24,583	5,408.5	562.4	5,970.9
Title I	20,000	4,000.0	0.0	4,000.0
Title II	4,583	1,408.5	562.4	1,970.9
Regular	4,583	1,408.5	562.4	1,970.9
Volag	4,383	1,346.5	547.9	1,894.4
WFP	200	62.0	14.5	76.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

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Country	MTN	Commodity	Freight	Total
Somalia	124,388	37,861.8	11,970.8	49,832.6
Title I	69,782	20,000.0	5,300.0	25,300.0
Title II	37,239	11,671.2	4,075.4	15,746.6
Regular	8,947	2,060.6	648.7	2,709.3
Volag	0	0.0	0.0	0.0
WFP	8,947	2,060.6	648.7	2,709.3
G/G	0	0.0	0.0	0.0
Emerg.	28,292	9,610.6	3,426.7	13,037.3
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	28,292	9,610.6	3,426.7	13,037.3
G/G	0	0.0	0.0	0.0
Sec 416	5,867	3,813.6	1,085.4	4,899.0
Food Res.	11,500	2,377.0	1,510.0	3,887.0
Sudan	1,045,224	173,095.3	91,768.7	264,864.0
Title I	400,150	64,500.0	13,200.0	77,700.0
Title II	609,068	95,741.4	72,907.5	168,648.9
Regular	2,690	570.0	225.7	795.7
Volag	946	306.4	99.3	405.7
WFP	1,744	263.6	126.4	390.0
G/G	0	0.0	0.0	0.0
Emerg.	606,378	95,171.4	72,681.8	167,853.2
Volag	512	112.7	345.2	457.9
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	605,866	95,058.7	72,336.6	167,395.3
Sec 416	11,006	7,153.9	2,036.2	9,190.1
Food Res.	25,000	5,700.0	3,625.0	9,325.0
Tanzania	26,154	9,762.2	3,891.7	13,653.9
Title I	0	0.0	0.0	0.0
Title II	20,416	7,651.0	3,004.1	10,655.1
Regular	5,288	1,788.3	643.7	2,432.0
Volag	4,958	1,546.4	619.8	2,166.2
WFP	330	241.9	23.9	265.8
G/G	0	0.0	0.0	0.0
Emerg.	15,128	5,862.7	2,360.4	8,223.1
Volag	13,928	4,693.2	2,228.4	6,921.6
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	1,200	1,169.5	132.0	1,301.5
Sec 416	1,388	1,154.2	256.8	1,411.0
Food Res.	4,350	957.0	630.8	1,587.8

SUMMARY U.S. FOOD AID AFRICA FY 1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Togo	7,642	2,110.7	778.9	2,889.6
Title I	0	0.0	0.0	0.0
Title II	7,642	2,110.7	778.9	2,889.6
Regular	7,642	2,110.7	778.9	2,889.6
Volag	4,283	1,382.0	535.4	1,917.4
WFP	3,359	728.7	243.5	972.2
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Uganda	90	27.9	6.5	34.4
Title I	0	0.0	0.0	0.0
Title II	90	27.9	6.5	34.4
Regular	90	27.9	6.5	34.4
Volag	0	0.0	0.0	0.0
WFP	90	27.9	6.5	34.4
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Zaire	95,837	20,710.0	647.9	21,357.9
Title I	91,572	20,000.0	0.0	20,000.0
Title II	4,265	710.0	647.9	1,357.9
Regular	400	124.3	65.8	190.1
Volag	400	124.3	65.8	190.1
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	3,865	585.7	582.1	1,167.8
Volag	3,700	536.7	560.0	1,096.7
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	165	49.0	22.1	71.1
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY-1985
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Zambia	42,000	10,000.0	0.0	10,000.0
Title I	42,000	10,000.0	0.0	10,000.0
Title II	0	0.0	0.0	0.0
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Zimbabwe	54,135	9,580.7	600.0	10,180.7
Title I	50,000	8,000.0	0.0	8,000.0
Title II	4,135	1,580.7	600.0	2,180.7
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	4,135	1,580.7	600.0	2,180.7
Volag	4,135	1,580.7	600.0	2,180.7
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Africa Total	3,029,757	689,455.3	393,721.1	1,083,176.4
Title I	918,423	185,500.0	22,500.0	208,000.0
Title II	1,770,500	378,416.2	316,301.7	694,717.9
Regular	286,761	77,728.0	31,009.0	108,737.0
Volag	135,917	41,416.9	16,764.6	58,181.5
WFP	120,844	31,135.1	8,761.2	39,896.3
G/G	30,000	5,176.0	5,483.2	10,659.2
Emerg.	1,483,739	300,688.2	285,292.7	585,980.9
Volag	301,819	95,899.7	108,963.7	204,863.4
WFP	12,061	2,095.1	3,733.1	5,828.2
IEFR	59,928	21,157.5	12,224.6	33,382.1
G/G	1,109,931	181,535.9	160,371.3	341,907.2
Sec 416	87,723	70,157.6	18,807.8	88,965.4
Food Res.	253,111	55,381.5	36,111.6	91.493.1
Emergency Recap.	1,824,573	426,227.3	340,212.1	766,439.4
Title II	1,483,739	300,688.2	285,292.7	585,980.9
Sec 416	87,723	70,157.6	18,807.8	88,965.4
Food Res.	253,111	55,381.5	36,111.6	91,493.1

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SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Angola	12,240	2,730.0	1,774.8	4,504.8
Title I	0	0.0	0.0	0.0
Title II	12,240	2,730.0	1,774.8	4,504.8
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	12,240	2,730.0	1,774.8	4,504.8
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	12,240	2,730.0	1,774.8	4,504.8
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Benin	5,327	1,375.8	580.3	1,956.1
Title I	0	0.0	0.0	0.0
Title II	5,272	1,341.4	572.3	1,913.7
Regular	5,272	1,341.4	572.3	1,913.7
Volag	3,037	841.5	440.4	1,281.9
WFP	2,235	499.9	131.9	631.8
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	55	34.4	8.0	42.4
Food Res.	0	0.0	0.0	0.0
Botswana	16,933	4,795.2	1.112.1	5,907.3
Title I	0	0.0	0.0	0.0
Title II	16,333	4,420.2	965.1	5,385.3
Regular	16,333	4,420.2	965.1	5.385.3
Volag	0	0.0	0.0	0.0
WFP	16,333	4,420.2	965.1	5,385.3
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	600	375.0	147.0	522.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Burkina Faso	27,099	6,789.1	3,516.5	10,305.6
Title I	0	0.0	0.0	0.0
Title II	27,099	6,789.1	3,516.5	10,305.6
Regular	27,099	6,789.1	3,516.5	10,305.6
Volag	22,294	5,511.2	3,232.6	8,743.8
WFP	4,805	1,277.9	283.9	1,561.8
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Burundi	4,831	1,503.2	627.4	2,130.6
Title I	0	0.0	0.0	0.0
Title II	4,831	1,503.2	627.4	2,130.6
Regular	4,831	1,503.2	627.4	2,130.6
Volag	3,980	1,271.7	577.1	1,848.8
WFP	851	231.5	50.3	281.8
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Cameroon	2,400	881.4	148.5	1,029.9
Title I	0	0.0	0.0	0.0
Title II	2,320	831.4	136.9	968.3
Regular	2,320	831.4	136.9	968.3
Volag	0	0.0	0.0	0.0
WFP	2,320	831.4	136.9	968.3
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	80	50.0	11.6	61.6
Food Res.	0	0.0	0.0	0.0

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SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Cape Verde	8,728	3,082.3	1,076.8	4,159.1
Title I	0	0.0	0.0	0.0
Title II	8,728	3,082.3	1,076.8	4,159.1
Regular	6,728	1,982.3	786.8	2,769.1
Volag	0	0.0	0.0	0.0
WFP	2,195	622.3	129.5	751.8
G/G	4,533	1,360.0	657.3	2,017.3
Emerg.	2,000	1,100.0	290.0	1,390.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	2,000	1,100.0	290.0	1,390.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
C.A.R.	2,173	669.1	165.6	834.7
Title I	0	0.0	0.0	0.0
Title II	1,973	544.1	116.6	660.7
Regular	1,973	544.1	116.6	660.7
Volag	0	0.0	0.0	0.0
WFP	1,973	544.1	116.6	660.7
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	200	125.0	49.0	174.0
Food Res.	0	0.0	0.0	0.0
Chad	15,893	3,909.9	1,539.2	5,449.1
Title I	0	0.0	0.0	0.0
Title II	15,743	3,816.1	1,502.4	5,318.5
Regular	15,743	3,816.1	1,502.4	5,318.5
Volag	6,660	1,272.3	965.7	2,238.0
WFP	9,083	2,543.8	536.7	3,080.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	150	93.8	36.8	130.6
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Comoro Is.	1,976	459.8	116.6	576.4
Title I	0	0.0	0.0	0.0
Title II	1,976	459.8	116.6	576.4
Regular	1,976	459.8	116.6	576.4
Volag	0	0.0	0.0	0.0
WFP	1,976	459.8	116.6	576.4
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Congo	980	360.3	57.8	418.1
Title I	0	0.0	0.0	0.0
Title II	980	360.3	57.8	418.1
Regular	980	360.3	57.8	418.1
Volag	0	0.0	0.0	0.0
WFP	980	360.3	57.8	418.1
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Djibouti	0	0.0	0.0	0.0
Title I	0	0.0	0.0	0.0
Title II	0	0.0	0.0	0.0
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
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Country	MTN	Commodity	Freight	Total
Eq. Guinea	1,915	512.3	113.0	625.3
Title I	0	0.0	0.0	0.0
Title II	1,915	512.3	113.0	625.3
Regular	1,915	512.3	113.0	625.3
Volag	0	0.0	0.0	0.0
WFP	1,915	512.3	113.0	625.3
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Ethiopia	311,456	72,917.2	57,465.3	130,382.5
Title I	0	0.0	0.0	0.0
Title II	290,343	67,149.3	54,403.9	121,553.2
Regular	12,783	3,633.7	1,853.5	5,487.2
Volag	12,783	3,633.7	1,853.5	5,487.2
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	277,560	63,515.6	52,550.4	116,066.0
Volag	277,560	63,515.6	52,550.4	116,066.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	21,113	5,767.9	3,061.4	8,829.3
Food Res.	0	0.0	0.0	0.0
Ethiopian Ref	45,000	4,950.4	10,125.0	15,075.4
Title I	0	0.0	0.0	0.0
Title II	45,000	4,950.4	10,125.0	15,075.4
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	45,000	4,950.4	10,125.0	15,075.4
Volag	45,000	4,950.4	10,125.0	15,075.4
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Gambia	3,642	1,095.2	444.8	1,540.0
Title I	0	0.0	0.0	0.0
Title II	3,642	1,095.2	444.8	1,540.0
Regular	3,642	1,095.2	444.8	1,540.0
Volag	2,674	873.3	387.7	1,261.0
WFP	968	221.9	57.1	279.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Ghana	54,835	20,283.4	4,583.8	24,867.2
Title I	10,919	8,000.0	0.0	8,000.0
Title II	43,591	12,080.3	4,536.7	16,617.0
Regular	43,591	12,080.3	4,536.7	16,617.
Volag	22,847	6,940.0	3,312.8	10,252.8
WFP	20,744	5,140.3	1,223.9	6,364.2
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	325	203.1	47.1	250.2
Food Res.	0	0.0	0.0	0.0
Guinea	20,080	6,024.0	4.7	6,028.7
Title I	20,000	6,000.0	0.0	6,000.0
Title II	80	24.0	4.7	28.7
Regular	80	24.0	4.7	28.7
Volag	0	0.0	0.0	0.0
WFP	80	24.0	4.7	28.7
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

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SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Guinea Bissau	1,579	418.8	93.2	512.0
Title I	0	0.0	0.0	0.0
Title II	1,579	418.8	93.2	512.0
Regular	1,579	418.8	93.2	512.0
Volag	0	0.0	0.0	0.0
WFP	1,579	418.8	93.2	512.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Ivory Coast	420	126.0	24.8	150.8
Title I	0	0.0	0.0	0.0
Title II	420	126.0	24.8	150.8
Regular	420	126.0	24.8	150.8
Volag	0	0.0	0.0	0.0
WFP	420	126.0	24.8	150.8
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Kenya	74,971	12,539.7	1,297.3	13,837.0
Title I	66,000	10,000.0	0.0	10,000.0
Title II	8,971	2,539.7	1,297.3	3,837.0
Regular	8,971	2,539.7	1,297.3	3,837.0
Volag	8,930	2,506.6	1,294.9	3,801.5
WFP	41	33.1	2.4	35.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

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SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Lesotho	27,321	7,000.7	2,681.4	9,682.1
Title I	0	0.0	0.0	0.0
Title II	27,321	7,000.7	2,681.4	9,682.1
Regular	27,321	7,000.7	2,681.4	9,682.1
Volag	12,421	2,789.9	1,801.0	4,590.9
WFP	14,900	4,210.8	880.4	5,091.2
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Liberia	34,000	11,000.0	0.0	11,000.0
Title I	34,000	11,000.0	0.0	11,000.0
Title II	0	0.0	0.0	0.0
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Madagascar	24,989	9,633.2	723.4	10,356.6
Title I	20,000	8,000.0	0.0	8,000.0
Title II	4,989	1,633.2	723.4	2,356.6
Regular	4,989	1,633.2	723.4	2,356.6
Volag	4,989	1,633.2	723.4	2,356.6
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Malawi	1,308	346.7	77.3	424.0
Title I	0	0.0	0.0	0.0
Title II	1,308	346.7	77.3	424.0
Regular	1,308	346.7	77.3	424.0
Volag	0	0.0	0.0	0.0
WFP	1,308	346.7	77.3	424.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Mali	52,298	10,241.6	10,161.6	20,403.2
Title I	0	0.0	0.0	0.0
Title II	51,845	9,958.5	10,050.6	20,009.1
Regular	17,425	4,946.7	2,888.8	7,835.5
Volag	0	0.0	0.0	0.0
WFP	7,425	1,946.2	438.8	2,385.0
G/G	10,000	3,000.5	2,450.0	5,450.5
Emerg.	34,420	5,011.8	7,161.8	12,173.6
Volag	4,080	1,025.5	999.6	2,025.1
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	30,340	3,986.3	6,162.2	10,148.5
Sec 416	453	283.1	111.0	394.1
Food Res.	0	0.0	0.0	0.0
Mauritania	9,297	2,705.4	1,264.2	3,969.6
Title I	0	0.0	0.0	0.0
Title II	9,217	2,655.4	1,244.6	3,900.0
Regular	9,217	2,655.4	1,244.6	3,900.0
Volag	8,148	2,010.9	1,181.5	3,192.4
WFP	1,069	644.5	63.1	707.6
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	80	50.0	19.6	69.6
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 198[illegible]
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Rwanda	16.332	4.868.0	2.187.7	7.055.7
Title I	0	0.0	0.0	0.0
Title II	16.332	4.868.0	2,187.7	7.055.7
Regular	16.332	4.868.0	2.187.7	7.055.7
Volag	14.232	4.176.8	2.063.6	6.240.4
WFP	2.100	691.2	124.1	815.3
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Sao Tome	1.854	664.7	112.0	776.7
Title I	0	0.0	0.0	0.0
Title II	1.824	646.0	107.6	753.6
Regular	1.824	646.0	107.6	753.6
Volag	0	0.0	0.0	0.0
WFP	1.824	646.0	107.6	753.6
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	30	18.7	4.4	23.1
Food Res.	0	0.0	0.0	0.0
Senegal	42,224	10,253.7	3.084.5	13.338.2
Title I	18.000	5,500.0	0.0	5.500.0
Title II	24,224	4,753.7	3.084.5	7.838.2
Regular	24,224	4,753.7	3.084.5	7,838.2
Volag	19,248	3,990.1	2,790.9	6.781.0
WFP	4,976	763.6	293.6	1,057.2
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Seychelles	643	186.1	93.2	279.3
Title I	0	0.0	0.0	0.0
Title II	643	186.1	93.2	279.3
Regular	643	186.1	93.2	279.3
Volag	643	186.1	93.2	279.3
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Sierra Leone	22.920	4.784.5	406.2	5.190.7
Title I	20.000	4,000.0	0.0	4.000.0
Title II	2,920	784.5	406.2	1,190.7
Regular	2,920	784.5	406.2	1.190.7
Volag	2.720	724.5	394.4	1.118.9
WFP	200	60.0	11.8	71.8
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Somalia	88.773	25.121.1	7,825.6	32.946.7
Title I	56.000	16.500.0	3.500.0	20,000.0
Title II	32,773	8.621.1	4,325.6	12,946.7
Regular	773	546.0	45.6	591.6
Volag	0	0.0	0.0	0.0
WFP	773	546.0	45.6	591.6
G/G	0	0.0	0.0	0.0
Emerg.	32.000	8.075.1	4.280.0	12,355.1
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	32,000	8,075.1	4,280.0	12,355.1
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Sudan	330,691	51,103.0	24,069.0	75,172.0
Title I	315,000	45,000.0	5,000.0	50,000.0
Title II	15,691	6,103.0	19,069.0	25,172.0
Regular	3,195	917.0	463.3	1,380.3
Volag	3,195	917.0	463.3	1,380.3
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	12,496	5,186.0	18,605.7	23,791.7
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	3,000	341.9	1,300.0	1,641.9
G/G	9,496	4,844.1	17,305.7	22,149.8
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Swaziland	940	316.9	55.5	372.4
Title I	0	0.0	0.0	0.0
Title II	940	316.9	55.5	372.4
Regular	940	316.9	55.5	372.4
Volag	0	0.0	0.0	0.0
WFP	940	316.9	55.5	372.4
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Tanzania	7,511	2,338.3	943.9	3,282.2
Title I	0	0.0	0.0	0.0
Title II	5,991	1,449.1	723.4	2,172.5
Regular	5,991	1,449.1	723.4	2,172.5
Volag	4,301	1,181.0	623.6	1,804.6
WFP	1,690	268.1	99.8	367.9
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	1,520	889.2	220.5	1,109.7
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Togo	7,771	2,132.1	1,007.4	3,139.5
Title I	0	0.0	0.0	0.0
Title II	7,771	2,132.1	1,007.4	3,139.5
Regular	7,771	2,132.1	1,007.4	3,139.5
Volag	6,382	1,834.5	925.4	2,759.9
WFP	1,389	297.6	82.0	379.6
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Uganda	2,406	796.1	171.6	967.7
Title I	0	0.0	0.0	0.0
Title II	2,063	581.7	121.9	703.6
Regular	2,063	581.7	121.9	703.6
Volag	0	0.0	0.0	0.0
WFP	2,063	581.7	121.9	703.6
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	343	214.4	49.7	264.1
Food Res.	0	0.0	0.0	0.0
Zaire	106,090	20,146.6	188.5	20,335.1
Title I	104,790	20,000.0	0.0	20,000.0
Title II	1,300	146.6	188.5	335.1
Regular	1,300	146.6	188.5	335.1
Volag	1,300	146.6	188.5	335.1
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Zambia	44,288	10,066.5	17.0	10,083.5
Title I	44,000	10,000.0	0.0	10,000.0
Title II	288	66.5	17.0	83.5
Regular	288	66.5	17.0	83.5
Volag	0	0.0	0.0	0.0
WFP	288	66.5	17.0	83.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Zimbabwe	0	0.0	0.0	0.0
Title I	0	0.0	0.0	0.0
Title II	0	0.0	0.0	0.0
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Africa Total	1,561,146	342,957.9	154,404.7	497,362.6
Title I	758,709	151,900.0	11,000.0	162,900.0
Title II	777,106	182,714.5	139,545.0	322,259.5
Regular	290,790	78,684.1	33,239.7	111,923.8
Volag	160,784	42,440.9	23,313.7	65,754.6
WFP	115,473	31,882.7	6,818.7	38,701.4
G/G	14,533	4,360.5	3,107.3	7,467.8
Emerg.	486,316	104,030.4	106,305.3	210,335.7
Volag	357,240	78,393.9	71,192.6	149,586.5
WFP	0	0.0	0.0	0.0
IEFR	35,000	8,417.0	5,580.0	13,997.0
G/G	94,076	17,219.5	29,532.7	46,752.2
Sec 416	25,331	8,343.4	3,859.7	12,203.1
Food Res.	0	0.0	0.0	0.0
Emergency Recap.	511,647	112,373.8	110,165.0	222,538.8
Title II	486,316	104,030.4	106,305.3	210,335.7
Sec 416	25,331	8,343.4	3,859.7	12,203.1
Food Res.	0	0.0	0.0	0.0

AID/FVA/FFP/POD

SUMMARY U.S. FOOD AID AFRICA FY 1986
PL 480 TITLE I/II/SECTION 416/FOOD SECURITY RESERVE

Country	MTN	Commodity	Freight	Total
Zambia	44.288	10,066.5	17.0	10,083.5
Title I	44.000	10,000.0	0.0	10,000.0
Title II	288	66.5	17.0	83.5
Regular	288	66.5	17.0	83.5
Volag	0	0.0	0.0	0.0
WFP	288	66.5	17.0	83.5
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Zimbabwe	0	0.0	0.0	0.0
Title I	0	0.0	0.0	0.0
Title II	0	0.0	0.0	0.0
Regular	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Emerg.	0	0.0	0.0	0.0
Volag	0	0.0	0.0	0.0
WFP	0	0.0	0.0	0.0
IEFR	0	0.0	0.0	0.0
G/G	0	0.0	0.0	0.0
Sec 416	0	0.0	0.0	0.0
Food Res.	0	0.0	0.0	0.0
Africa Total	1,561,146	342,957.9	154,404.7	497,362.6
-Title I	758,709	151,900.0	11,000.0	162,900.0
Title II	777,106	182,714.5	139,545.0	322,259.5
Regular	290,790	78,684.1	33,239.7	111,923.8
Volag	160,784	42,440.9	23,313.7	65,754.6
WFP	115,473	31,882.7	6,818.7	38,701.4
G/G	14,533	4,360.5	3,107.3	7,467.8
Emerg.	486,316	104,030.4	106,305.3	210,335.7
Volag	357,240	78,393.9	71,192.6	149,586.5
WFP	0	0.0	0.0	0.0
IEFR	35,000	8,417.0	5,580.0	13,997.0
G/G	94,076	17,219.5	29,532.7	46,752.2
Sec 416	25,331	8,343.4	3,859.7	12,203.1
Food Res.	0	0.0	0.0	0.0
Emergency Recap.	511,647	112,373.8	110,165.0	222,538.8
Title II	486,316	104,030.4	106,305.3	210,335.7
Sec 416	25,331	8,343.4	3,859.7	12,203.1
Food Res.	0	0.0	0.0	0.0

AID/FVA/FFP/POD

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THURSDAY, APRIL 17, 1986.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

WITNESSES

DANIEL G. AMSTUTZ, UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

JOAN S. WALLACE, ADMINISTRATOR, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

HOWARD S. MARKS, ASSOCIATE ADMINISTRATOR, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

JAMES L. WALKER, ASSISTANT ADMINISTRATOR FOR INTERNATIONAL RESEARCH AND DEVELOPMENT, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

JEANNE M. STANEK, BUDGET OFFICER, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. We have before us today the Office of International Cooperation and Development, Dr. Wallace, glad to hear from you.

Dr. WALLACE. I am very glad to be here with the committee. I would like to introduce at this time Jeanne Stanek who is our Budget Officer, Howard Marks, who is the Associate Administrator for the Office of International Cooperation and Development, and Dr. James Walker, who is the Assistant Administrator for International Research and Development.

I will try to make my statement brief. You know in 1985 we saw greater awareness of the problems of agriculture than any other time in recent history. The distress of our nation's farmers has been a grave problem, and at the same time the world's attention has focused on the failure of agriculture in Africa. The media brought the horror of the African famine into our homes, into the homes of millions of Americans.

Clearly there has never been more of a need for innovative agricultural programs than there is today.

While we are a very small agency, we are in a unique position to be innovative and adaptive and we are among the few agencies in USDA that hope to help not only America's farmers, but also to lessen the hunger that still afflicts so many all over the globe.

HIGHLIGHTS OF AGENCY ACCOMPLISHMENTS

Without taking a great deal of time this morning, I would like to highlight a few of our agency accomplishments. We sponsored 505 research projects involving 22 countries last year. We conducted 116 scientific exchanges with 33 countries. We sent specialists, 760 of them, to assist 87 countries and we managed training for 2400 agriculturists.

A number of our programs focus on putting new technology to work to support America's farmers. For example, in research under a cooperative program with Israel called BARD, we are examining the use of solar technology to control soil-borne pests. This technique, which is very simple and involves the use of polyethethane sheets to cover the soil, thus raising the temperature and destroying a number of soil-borne pathogens, is an inexpensive addition to our fight against pests.

Research on citrus canker is another example of a project benefitting the United States farmer.

When a serious outbreak of citrus canker endangered the Florida citrus industry, the Federal Government was forced to prohibit further field research on the canker in this country. But our binational collaborative research program enabled U.S. scientists to continue studying this disease by working with scientists in Argentina where the citrus canker is endemic. So we could do field research there and we will be continuing to do so for some time.

We are also promoting research that will help the farmer find alternative crops. We recently set up a cooperative research program pairing scientists from Virginia Polytechnic Institute and scientists from Mexico in a study of the feasibilities of growing marigolds in Virginia as an alternative cash crop in place of tobacco. U.S. poultry producers now must import the marigolds that they use in poultry feed and this research could lead to a domestic source of supply.

In Yugoslavia, researchers working under our Special Foreign Country Research Program have devised a skin test that detects listeriosis in livestock. Listeriosis is a bacterial disease which can be transmitted to humans by dairy products. It killed more than 90 people in California last year and caused numerous miscarriages.

In addition to these research projects, we have been sponsoring scientific exchanges. In designing these exchanges we look for practical projects that can be useful to our farm producers here. For example, the U.S. beekeeping industry is concerned about the impact of the Africanized bees and what that will do to crop pollination and future honey production.

Last year we funded three scientific and technical exchanges with Mexico aimed at finding ways to monitor and control the spread of these bees and the mites they carry. We also sponsored a scientific symposium on Africanized bees in January and there will be a follow-up next year.

The spread of these bees is not only a concern to honey growers. Bees are now the most important pollinators of alfalfa and other high protein forages used by midwestern farmers. The parasitic mites carried into the U.S. by the Africanized bees threatens U.S. bee populations and this could significantly reduce the pollination of forages and their yields. To counter this threat after we had the exchange on the subject, we now have a long-term research project between ARS in the Agriculture Department and scientists in Mexico to study how to keep this bee in check and to understand the effects of the parasites on non-Africanized bee populations.

We have gained some new insights on acid rain with our exchange with the West Germans. The U.S. and German scientists have realized that acid precipitation is only one component of the problem and that there are other pollutants that are problems. Exchanges of research information with West Germany on this topic have saved the Forest Service research time of about two to three years.

Two of the most interesting developments this past year have been the resumption of scientific exchanges with China and the Soviet Union. A protocol to resume activities under the U.S./U.S.S.R. Agreement on Cooperation in the Field of Agriculture was signed in June of 1985 and provides for the exchange of ten U.S. and nine Soviet teams.

The Chinese working group just met in China led by Mr. Amstutz and we will now resume exchange with the Chinese and there are 16 exchanges expected during the next year, nine teams from the U.S. and seven Chinese teams.

These teams have provided valuable germplasm as well as some biological control agents.

GRAMM-RUDMAN-HOLLINGS ACT

Before I turn to the fiscal year 1987 budget, I would like to mention the impact of the Gramm-Rudman-Hollings Act in 1986.

Our appropriated account has been cut by $232,000, and our Special Foreign currency account by $128,000. There is not to be a reduction in force and we will save the money by reducing research, procurement, grants and non-salary operating expenses.

FY 1987 BUDGET REQUEST

The 1987 budget provides for the continuation of scientific and technical exchange programs, the technical assistance and training programs, and the country financed programs at approximately the same level as fiscal year 1986. You will remember that we receive funding for many of our programs from outside sources.

In 1987 our request proposes a number of reductions, primarily in our research programs. The following programs have been eliminated: Special Foreign Currency Program, $3 million; the Binational Collaborative Research Program, $590,000; the Middle Income Country Training Program, $1.5 million; and the Agriculture Information Center, $200,000.

We will, however, be able to continue to carry out previous commitments in the Special Foreign Currency and Middle Income Country Training Programs.

In addition, the International Organization Affairs unit is reduced by $30,000. These reductions reflect our commitment to comply with the President's plan to meet established deficit reduction targets.

This concludes my statement, Mr. Chairman. I will be happy to answer your questions at this time.

[CLERK'S NOTE.—The full text of Mrs. Wallace's prepared statement appears on pages 670 through 678. The explanatory notes appear on pages 481 through 716.]

AGRICULTURAL INFORMATION CENTER

Mr. **Whitten**. In the fiscal year 1986 budget you requested $200,000 to establish an Agricultural Information Center. In the FY 1987 budget you are proposing to terminate the Center. Why the sudden change?

Dr. **Wallace**. This proposal is part of the Administration's effort to reduce Federal spending in FY 1987 and to meet the deficit target specified in the Gramm-Rudman-Hollings legislation.

Mr. **Whitten**. How much of the fiscal year 1986 appropriation was used to establish the Center?

Dr. **Wallace**. Approximately $105,000 was used to establish the Agribusiness Information Center. The balance will be used for operations.

Mr. **Whitten**. What was accomplished prior to the decision to terminate the Center?

Dr. **Wallace**. I will provide a list of accomplishments for the record.

[The information follows:]

Responding to 10-12 daily telephone inquiries related to agriculture, trade, finance and investment.

Responding to 15-25 agribusiness related letters weekly.

Specializing in gathering technical (published) information of non-traditional commodities for potential U.S. investors.

Direct terminal/telex services to private sector organizations in the Eastern Caribbean.

Supplying support services (journals, newsclippings, newsbriefs, articles and marketing intelligence) to Private Sector Relations staff, other United States Department of Agriculture agencies, and Federal agencies.

Mr. **Whitten**. At what level was the decision to terminate the Center made?

Dr. **Wallace**. At the Department level.

MIDDLE INCOME COUNTRY TRAINING PROGRAM

Mr. **Whitten**. The fiscal year 1987 budget proposes again to terminate the Middle Income Country Training Program. What is the justification for the proposal?

Dr. **Wallace**. Mr. Chairman, the Administration has never requested funding for this program. This program has been conducted with funding made available by Congress over the last three years, FY 1984-86. It was originally intended to continue for three years and at the end of this year that objective will have been met.

Funding reductions proposed in the President's budget are necessary to achieve the savings required to reach the FY 1987 budget deficit target of the Gramm-Rudman-Hollings legislation. We believe U.S. agriculture will fare best if the deficit is reduced and if another sequester order is avoided. Thus, some programs have to be cut back.

Mr. **Whitten**. How many students from what countries and what universities were selected for participation in fiscal year 1986?

Dr. **Wallace**. For the FY 1986 program, we anticipate 170-180 participants will be selected from Algeria, Ivory Coast, Iraq, Korea, Mexico, Turkey, Venezuela, and Yugoslavia. The selection process is still underway, however, so a final number is not available at this time.

In FY 1985, 144 people were selected for the program from the eight countries just named. This represented a 40 percent increase over the 102 participants in the program in FY 1984. Of the FY 1985 participants, 14 percent were from universities, 41 percent were from the private sector, and 45 percent were from government ministries/institutions. Of these, 10 percent were trained in agricultural economics and management, 44 percent in agricultural marketing and trade, and 46 percent in agricultural sciences.

Mr. WHITTEN. Are there ample funds to ensure those students can finish their training? Are there ample funds to ensure that students selected prior to fiscal year 1986 can complete their training?

Dr. WALLACE. Yes, there are ample funds to ensure that scholars from FY 1984, FY 1985, and FY 1986 will be able to complete their programs, even if the programs were to run into FY 1987.

Mr. WHITTEN. Of those students presently receiving training, how many are in short-term programs and how many are in long-term programs? Please describe the differences in the two programs.

Dr. WALLACE. During 1985, there were 12 long-term scholars and 121 short-term scholars. Long-term programs are primarily academic degree programs. Short-term programs are intensive "hands-on" programs such as technical courses, industrial tours and visits, research at laboratories with universities and/or at USDA research stations, or a combination of the above.

Mr. WHITTEN. How many staff years are involved in this activity?

Dr. WALLACE. Professional and support staff time required to operate the program at its current level total approximately two staff years.

COORDINATION OF INTERNATIONAL AGRICULTURAL RESEARCH

Mr. WHITTEN. Your budget proposes to terminate the coordination of international research activities but continue to administer existing research activities. What is the Administration's justification for terminating this activity?

Dr. WALLACE. Actually, the budget proposes to eliminate the appropriation for use of U.S.-owned foreign currencies to support new research activities—not the termination of coordination of international research. This activity will continue as long as there are activities to administer.

The Office of Management and Budget requested all government agencies to eliminate their "Special Foreign Currency" appropriations. This was done largely because the number of countries where the U.S. owns large sums of foreign currencies has declined. OMB felt it was not administratively worth the effort for agencies to maintain separate appropriations for U.S.-owned foreign currencies.

At the time of the submission of the fiscal year 1987 budget, the fiscal year 1986 budget contained no appropriation for Special Foreign Currency research, although a $3 million appropriation was later added. We have again requested no funding for this program in FY 1987 as part of the Administration's effort to reduce Federal outlays and in recognition of the reduced availabilities of U.S.-owned foreign currencies.

Mr. WHITTEN. How can OICD meet its stated goals of strengthening the role of science and technology in the effort to stabilize world food supplies and to increase the efficient use of agricultural resources if these programs are reduced or terminated?

Dr. WALLACE. Research projects conducted under the SFC Program are intended for the primary benefit of U.S. agriculture although participating countries also derive significant benefits. Activities sponsored by SFC do not, in general, focus on stabilization of world food supplies, as such. Therefore, reduction or termination of these programs will have less effect overseas on world food supplies and efficient use of agricultural resources than it will on U.S. agriculture, which will not have access to research results, germplasm, biocontrol materials, and related information.

Mr. WHITTEN. Please provide for the record a list of the 349 active research grants, the dollar value of each grant, and the institutions conducting the research.

Dr. WALLACE. This information for the SFC Research Program is contained in two publications, IRD-OD-1011, "Active Foreign Agricultural Research Grants," and IRD-OD-1011-A, "Executed Foreign Agricultural Research Grants." We will provide copies for the record.

[CLERK'S NOTE.—The information is too lengthy to be reprinted in the hearing record. A copy will be retained on file.]

Mr. WHITTEN. How many staff years are assigned to this activity?

Dr. WALLACE. Coordination and administration of all OICD international research activites requires 16.6 staff years—14.6 in the United States plus 2 overseas—and 8.8 Foreign Service National employees overseas—most are in the Far Eastern Regional Research Office in New Delhi.

As you are aware, much of our research funding comes from other sources. We have an analysis which shows that the Internatinal Research Division's appropriated budget—and staff years—enable us to leverage ten times this amount in programs that benefit U.S. agriculture. I will provide the table for the record.

[The information follows:]

INTERNATIONAL RESEARCH DIVISION—VALUE OF RESEARCH PROGRAMS SUPPORTED BY IRD OPERATING BUDGET

[In thousands of dollars]

Program	Annual obligations				
	FY 83	FY 84	FY 85	FY 86	FY 87
Speical foreign currency	4,900	5,000	5,000	2,854	0
USIF				1,000	2,000
Yugoslavia Joint Board	700	700	1,300	1,500	1,500
Spain	600		3,560	1,710	1,630
U.S.-Israel (BARD)	6,000	6,000	6,500	7,000	9,000
Trinational Egypt-Israel-U.S.		900	900	900	700

INTERNATIONAL RESEARCH DIVISION—VALUE OF RESEARCH PROGRAMS SUPPORTED BY IRD OPERATING BUDGET—Continued

[In thousands of dollars]

Program	Annual Obligations				
	FY 83	FY 84	FY 85	FY 86	FY 87
Collaborative research	330	470	520	600	0
Azores			50	30	0
Total	12,530	13,070	17,830	15,594	[1] 14,830
IRD operating budget	1,070	1,090	930	900	900

[1] Projected.

Mr. **Whitten**. How many staff years are necessary to administer the existing grants?

Dr. **Wallace**. A certain proportion of the effort—staff years, budget—of an ongoing program is devoted to negotiating new grants and developing new projects. If the SFC Research and Collaborative Research programs were to cease front-end activities in FY 1987, there could be a 2 staff-year reduction from 16.6 staff years to 14.6.

FOREIGN CURRENCY RESEARCH

Mr. **Whitten**. The budget proposes to phase out the foreign currency research program over a four-year period, the justification being the types of currencies determined to be in excess has declined. How will the phaseout of this program affect the current research on exotic animal and plant diseases that cannot be accomplished in the United States.

Dr. **Wallace**. Ongoing research project on exotic animal and plant diseases will be affected only slightly by a 4-year phasedown. The projects are forward funded an are scheduled for completion during that period. Additional research needs of this type can continue to be done in India under the recently initiated U.S.-India Fund endowment; in Yugoslavia under the U.S.-Yugoslavia Joint Board for Science and Technology; etc. These are all types of foreign currency research but are not dependent on the availability of a USDA appropriation. Future USDA SFC research, of course, would not be possible, such as studies on citrus canker in Taiwan, bluetongue disease research in Central America, biocontrol of the Colorado potato beetle in South America, studies on the Africanized bee and parasitic mites on bees.

Mr. **Whitten**. Will ARS and other USDA agencies be expected to fund the research after foreign currency funds are phased out?

Dr. **Wallace**. No. Special Foreign Currency projects are forward funded, and there are no commitments beyond the funds available. If, however, it is determined that there is a need for additional research, other funding sources will have to be identified.

Mr. **Whitten**. Please provide for the record a list of the currencies determined to be excess by the Department of Treasury as of December 30 of each of the past five years.

Dr. **Wallace**. I will provide that for the record.

[The information follows:]

1981: India, Pakistan, Burma, and Guinea.
1982: India, Pakistan, Burma, and Guinea.
1983: India, Pakistan, Burma, and Guinea.
1984: India, Pakistan, Burma, and Guinea.
1985: Poland, Pakistan, Burma, and Guinea.

NOTE.—In addition, there are countries such as Taiwan and Yugoslavia which are "near excess" where balances of U.S.-owned foreign currency are on hand and can be used for high-priority U.S. Government activities.

FY 1987 BUDGET REQUEST

Mr. WHITTEN. The fiscal year 1987 budget request shows a reduction of over 40 percent in appropriated funds for salaries and expenses, but shows a reduction of only six staff years. What funds will be utilized in lieu of appropriated funds to pay salaries and expenses?

Dr. WALLACE. There will be no other monies used to pay salaries and expenses. The reduction items are not labor intensive—only six staff years were associated with the $2,312,000 reduction. The balance supported research grants and participant training costs.

CARIBBEAN BASIN INITIATIVES

Mr. WHITTEN. You state that the fiscal year 1985 activities of the CBI Agribusiness Promotion Council focused on marketing, investment and trade issues. Please provide for the record specific examples of each of these issues that the Council focused on in fiscal year 1985.

Dr. WALLACE. During most of fiscal year 1985, we continued to implement the recommendations made by the first term Agribusiness Promotion Council. Their recommendations emphasized marketing, investment and two-way trade.

One example of the focus on marketing was the Agricultural Marketing Workshop for the Eastern Caribbean. It was held on April 29 to May 2, 1985 in Barbados and was co-hosted by USDA/Office of International Cooperation and Development, USAID, Caribbean Association of Industry and Commerce, and the Caribbean Development Bank and the Ministry of Agriculture, Food Consumer Affairs of Barbados. The key topics were "Exporting to International Markets" and "Marketing Strategies for the Eastern Caribbean".

Investment was emphasized as the most effective means of stimulating long term growth in the Caribbean Basin countries' economies. In recommending the marketing workshop, the Council indicated that investment should be emphasized. Former members spoke on how to joint venture as well as how to obtain political risk insurance.

To encourage trade, exhibitors from both the Caribbean Basin and from the U.S. had the opportunity to show their products at both the workshops. Substantial trade arrangements were negotiated, both U.S. products to the Caribbean Basin and some of the non-traditional and/or gourmet items to the U.S. For example, hot sauces from Barbados and Belize were purchased from Macy's.

Mr. WHITTEN. You also state the new Council members were installed in September 1985. Please provide for the record a list of the Council members, identifying the new members and the companies with which they are associated.

Dr. WALLACE. I will be happy to provide that for the record.

[The information follows:]

THE AGRIBUSINESS PROMOTION COUNCIL
January 1986

CHAIRMEN

*Mr. Daniel G. Amstutz
Under Secretary for International
Affairs and Commodity Programs
U.S. Department of Agriculture
Washington, D.C.

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President
The McVay Company
Minnetonka, Minnesota

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Archer Daniels Midland Company
Decatur, Illinois

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Armellini Express Lines, Inc.
Miami, Florida

*Mr. Travers H. J. Bell, Jr.
Chairman of the Board
Cocoline Chocolate Co., Inc.
Brooklyn, New York

*Mr. Joseph J. Borgatti
President
J.J. Borgatti Associates
New York, New York

*Mr. Othal Brand
Chairman of the Board
Griffin and Brand
McAllen, Texas

Mr. Arthur B. Calcagnini
President
Lombard World Trade, Inc.
New York, New York

*Mr. Ernest C. Charron
Vice President
Chase Manhattan Bank
New York, New York

*Mr. Louis C. Dell
President
Frosty Acres Brands, Inc.
Norcross, Georgia

*Mr. Richard Douglas
Vice President - Public Affairs
Sun Diamond Growers
Stockton, California

Mr. R. W. Fischer
President
Soypro International, Inc.
Cedar Falls, Iowa

Mr. Waldo G. Heron
President
Food Processing Consultants
Company
Fillmore, California

*Dr. William P. Hytche
Chancellor
University of Maryland Eastern Shore
Princess Anne, Maryland

Mr. Peter Johnson
Executive Director
Caribbean/Central American Action
Washington, D.C.

*Mr. Tristan Krogius
President
Tenneco West
Bakersfield, California

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Houston, Texas

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Chairman of the Board
Philadelphia Coca-Cola Bottling Co.
New Rochelle, New York

*Ms. Sue Luck
Branch Manager
Kelly Services
Decatur, Illinois

*Mr. Thomas C. O'Ban
Manager, Frozen Foods
Safeway Stores, Inc.
Oakland, California

Mr. Arthur L. Quinn
Attorney at Law
Washington, D.C.

*Mr. Jerry B. Ravenell
President
Low Country International, Inc.
Washington, D.C.

Mr. Phillip V. Sanchez
President
The Woodside Consulting Group
Woodside, California

*Ms. Jean Schoonover
Chief Executive Officer
Dudley-Anderson-Yutzy
New York, New York

Mr. Harry Smith, Jr.
International Consultant
Washington, D.C.

*Mr. Stephen Tavilla
President
P. Tavilla Co., Inc.
Acton, Massachusetts

Mr. Dionisio Trigo
President
Casera Foods
San Juan, Puerto Rico

*Mr. Robert C. Turner
Vice President
Citrus World, Inc.
Lake Wales, Florida

Dr. Joan S. Wallace
Administrator
Office of International Cooperation
and Development
U.S. Department of Agriculture
Washington, D.C.

Dr. Richard O. Wheeler
International Consultant
Bozeman, Montana

* Mr. E. Morgan Williams
President
National Cooperative Business Assn.
Washington, D.C.

ADVISORS

Honorable Thomas H. Anderson, Jr.
U.S. Ambassador
Barbados, West Indies

Honorable Patrick N. Williams
Commissioner of Agriculture
St. Croix, U.S. Virgin Islands

Dr. Edward M. (Ted) Wilson
Deputy Administrator
Cooperative State Research Service
U.S. Department of Agriculture
Washington, D.C.

* = NEW MEMBERS

Mr. WHITTEN. You state that OICD sponsored an agricultural marketing workshop for the Easter Caribbean in Barbados in April 1985. Who attended these meetings from USDA and from the Agribusiness Promotion Council?

Dr. WALLACE. I will provide that for the record.

[The information follows:]

USDA

Ayling, Robert, Office of International Cooperation and Development.
Delgado, Andres, Office of International Cooperation and Development.
Guroff, Avram E., Office of International Cooperation and Development.
Kay, Thomas O., Foreign Agricultural Service.
Lee, Franklin D., Office of International Cooperation and Development.
Milburn, Beri, Office of International Cooperation and Development.
Olson, Virginia, Office of International Cooperation and Development.
Strum, Herbert L., Office of International Cooperation and Development.
Wallace, Joan S., Office of International Cooperation and Development.
Whitaker, Laura, Office of International Cooperation and Development.
Brown, Jerome D., Foreign Agriculture Service, Washington, DC.
Brown, Richard N., Economic Research Service, Washington, DC.
Guilfoy, Robert, Office of Transportation, Washington, DC.
Helms, William F., Animal and Plant Health Inspection Service, Washington, DC.
Henry, Fred E., Agricultural Research, Gainesville, Florida.
Marousky, Frank J., Agricultural Research Service, Gainesville, Florida.
McDonald, Roy E., Agricultural Research Service, Orlando, Florida.
Risse, Lawrence A., Agricultural Research Service, Orlando, Florida.
Ouye, Milton T., Agricultural Research Service, Washington, DC.
Horst, Melvin J., Agricultural Research Service, Washington, DC.
Priester, David L., Agricultural Research Service, Washington, DC.

AGRIBUSINESS PROMOTION COUNCIL

O'Ban,[1] Thomas C., Safeway Stores, Incorporated, Oakland, California.
Tavilla,[1] Stephen, P. Tavilla Co., Inc., Chelsea, Massachusetts.
Heron, Waldo G., Food Processing Consultants Co., Fillmore, California.

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[1] Were not members of the Council until September 16, 1985.

NON-TRADITIONAL AGRICULTURAL PRODUCTS

Mr. WHITTEN. According to the explanatory notes, OICD organized and conducted in-country seminars on import requirements for non-traditional agricultural products in Guatemala, El Salavador, Honduras, and Belize. Please identify for the record a representative example of the non-traditional agricultural products. Please also provide a list of the individuals from USDA attending or conducting the in-country seminars.

[The information follows:]

A representative example of non-traditional agricultural products includes: Carambola, cassava, malanga, cardamon, macadamia nuts, ginger, passion fruit, exotic cut flowers and ornamental plants. The USDA individuals were Andres Delagado, Office of International Cooperation and Development, James Caron, Office of Transportation, and Fernando Rodriquez, Animal and Plant Health Inspection Service.

Mr. WHITTEN. According to the explanatory notes, OICD published a revised edition of the Agricultural Marketing Handbook of the Caribbean Basin Products. Please provide a copy of the publication for the record?

[CLERK'S NOTE.—The information is too lengthy to be reprinted in the hearing record. A copy will be retained on file.]

OICD STAFFING

Mr. **Whitten**. According to the object classification table, you are requesting $1,475,000 for personnel compensation and benefits. How many people are paid from these funds?

Dr. **Wallace**. There are 52 staff years associated with the $1,475,000. The remaining 152 staff years are paid from reimbursements, special foreign currency, and trust funds.

Mr. **Whitten**. Please provide for the record a grade structure table relating to the $1,475,000 for personnel and benefits.

[The information follows:]

Grade	Positions	Funds
GM15	4	$244,017
GM14	6	260,626
GM13	7	288,270
GM12	3	106,000
GM11	1	27,932
GM9	5	130,755
GM8	1	22,882
GM7	5	104,365
GM6	8	150,524
GM5	6	73,458
GM4	5	44,435
GM3	3	21,736
Total	54	1,475,000

Mr. **Whitten**. Please provide for the record the most recently approved organizational chart showing the number of personnel, by grade, assigned to each division and branch.

[The information follows:]

POSITION LISTING

OFFICE OF THE ADMINISTRATOR

Agril Admr	ES	6
Assoc. Agril Admr	ES	1
Confid. Asst.	GS	9
Spec Ast. to Admr	GM	15
Asst to the Admr	GM	13
Staff Asst.	GM	13
Secretary	GS	9
Mgmt Asst Corres	GS	8
Secretary	GS	8
Secretary	GS	5

TOTAL 10

INFORMATION DIVISION

Staff Asst	GM	15
Clerk Typ.	GS	3
Comp. Asst.	GS	7
Pub. Affrs. Spec	GM	13
Pub. Affrs. Spec	GS	9
Confid. Asst.	GS	12
Writer/Editor	GS	11
Tech. Info. Spec.	GS	12
Tech. Info. Spec.	GS	12
Tech. Info. Spec.	GS	11
Tech. Info. Spec.	GS	7
Tech. Info. Spec.	GS	7
Tech. Info. Spec.	GS	5
Clerk Typist	GS	
Doc. Supp. Ast.	GS	7

TOTAL 15

INTERNATIONAL AFFAIRS AND PLANNING

Office of the Assistant Adminstrator

Deputy Asst. Admin	GM	15
Policy Analyst	GM	14
Intl Affrs Speclst	GS	9
Intl Affrs Speclst	GS	9
Management Analyst	GS	7
Secretary	GS	7
Secretary	GS	5

SUBTOTAL............ 7

Private Sector Relations Staff

Director	GM	15
Agrl Mktg Speclst	GM	14
Confid Ast to Admr	GM	13
Agrl Mktg Speclst	GM	13
Agrl Info Prog Speclst	GS	12
Intl Affrs Speclst	GS	13
Info Assistant	GS	7
Secretary	GS	5
Secretary	GS	6

TOTAL 9

Planning and Evaluation Staff

Director	GM	14
Intl Cooprtn Dev. Pln	GM	13
Prog Anal	GM	13
Prog Anal	GS	9
Prog Asst	GS	8
Prog Asst Typ	GS	7
Secretary	GS	5

SUBTOTAL 6

International Organization Affairs Division

Suprv Intl Rel Advr	GM	15
Intl Rel Advr	GM	14
Intl Rel Advr	GM	14
Intl Rel Advr	GM	13
Intl Rel Advr	GS	12
Intl Rel Speclst	GS	9
Secretary	GS	6
Clk Typ	GS	3

SUBTOTAL 8

Scientific and Technical Exchange Division

Intl Affrs Offcr	GM	14
Intl Affrs Speclst	GM	13
Intl Affrs Speclst	GM	13
Intl Affrs Offcr	GM	13
Intl Affrs Speclst	GM	12
Prog Asst Typ	GS	6
Prog Asst Typ	GS	6
Secretary	GS	6
Prog Asst Typ	GS	6
Clk	GS	3

SUBTOTAL 10

TOTAL, INTERNATIONAL AFFAIRS & PLANNING 40

INTERNATIONAL RESEARCH AND DEVELOPMENT

Office of the Assistant Administrator

Asst Admr for Int'l Res. & Devl.	ES	5
Secretary	GS	8
Policy Analyst	GM	14
Dep. Asst Admr for IRD	GM	15
Secretary	GS	7
Asst to Admr Prog Anl	GM	14
Specl Asst to Dep. Asst.	GM	14

SUBTOTAL 7

International Research Division

Agrl Res Adm Dir	GM	15
Secretary	GS	7
Program Asst.	GS	5
Clk Typ	GW	3
Clk Typ	GS	3
Agrl Res Admr.	GM	14
Agrl Res	GM	14
Frgn Res Grant Coord	GS	9
Finan. Anal	GS	9
Secretary	GS	6
Prog Asst Typ	GS	5
Agrl Res Admr	GM	14
Agrl Res Advs	GM	13
Int'l Res Speclst	GS	12
Coop Agrmt Examiner	GS	7
Secy Asst Typ	GS	6
Prog Asst Typ	GS	5
Res Admr	GM	13
Coop Agrmts Asst.	GS	5

SUBTOTAL 19

TECHNICAL ASSISTANCE DIVISION

Office of the Director

Director	GM	15
Secretary	GS	8
Policy Analyst	GM	14
Deputy Director	GM	14
Agrl Economist	GM	14
Trng. & Dev Spec	GM	14
Program Speclst	GS	14
Tech Asst Speclst	GS	11
Secretary	GS	6
Program Asst.	GS	3

SUBTOTAL 10

Africa Programs

Tech Asst. Ofcr	GM 14
Tech Asst. Ofcr	GM 14
Agrl Economist	GM 14
Agrl Economist	GM 14
Tech Asst. Speclst	GM 13
Tech Asst. Speclst	GM 13
Tech Asst. Speclst	GM 13
Tech Asst. Speclst	GM 13
Tech Asst Coord.	GS 9
Secretary	GS 6
Clk Typ	GS 3

SUBTOTAL 11

Africa Program (Overseas)

Agrl Economist	FC 12
Prog Analy	FC 12
Chief of Project	FC 12
Agrl Economist	FC 11
Agrl Economist	FC 10
Forester	FC 9
Agron Advisor	FC 8

SUBTOTAL 7

Asia/Middle East Programs

Tech Asst. Ofcr	GM 14
Tech Asst. Speclst	GM 13
Tech Asst. Speclst	GS 13
Tech Asst. Speclst	GS 11
Secretary	GS 7
Prog Asst Typ	GS 5

SUBTOTAL 6

Asia/Middle East Programs (Overseas)
(Joint Commission Personnel)

Suprv Comp Speclst	FC 12
Res Plant Path	FC 12
Res Hort	FC 11
Microbiol	FC 11
Soil Scntst	FC 11
Res Plant Physiol	FC 11
Intl Trng Ofcr	FC 10
Contracts Ofcr	FC 10

SUBTOTAL 8

Latin America Programs

Program Leader	GM	14
Tech Asst. Ofcr	GM	13
Agrl Economist	GM	15
Devl Ofcr	FC	12
Agrl Econ	FC	10
Program Asst.	GS	7
Program Asst.	GS	6

SUBTOTAL 7

World Wide Programs

Tech Asst. Ofcr	GM	14
Tech Asst. Speclst	GM	13
Tech Asst. Speclst	GM	13
Program Asst.	GS	7
Program Asst.	GS	5
Clk Typ	GS	3
Clk Typ	GS	3

SUBTOTAL 7

Development Program Management Center

Intl Trng Admr	GM	14
Prog Dev. Spelcst	GM	14
Prog Mgmt Speclst	GM	13
Prog Mgmt Speclst	GS	12
Prog Mgmt Speclst	GS	12
Prog Asst Typ	GS	6
Secretary	GS	5

SUBTOTAL 7

Nutrition Economics

Agrl Econ	GM	14
Agrl Econ	GM	13
Agrl Econ	GM	13
Secretary	GS	6
Clk Typ	GS	4

SUBTOTAL 5

Food Technology

Food Tech	GM	15
Prog Speclst	GM	14
Food Tech	GM	14
Secretary	GS	6
Secretary	GS	5

SUBTOTAL 5

TOTAL, TECHNICAL ASSISTANCE DIVISION 73

International Training

Int'l Trng Admr/Dir	GM	15
Trng Tech	GS	7
Int'l Trng Adm/Dep Dir	GM	14
Spec Proj Offcr	GM	13
Int'l Trng Adm	GM	13
Supv Fisc Accts Tech	GS	8
Trng Tech	GS	7
Computer Asst	GS	7
Reg Trng Coord	GS	14
Reg Trng Coord	GS	14
Reg Trng Coord	GS	14
Trng Tech	GS	7
Spec Proj Offcr	GM	14
Int'l Trng Spec	GS	11
Trng Tech	GS	6
Int'l Trng Admr	GM	14
Trng Tech	GS	7
Trng Spec	GS	12
Clk Typ	GS	3
Int'l Trng Admr	GM	13
Trng Tech	GS	7
Trng Spec	GS	12
Trng Spec	GS	5
Trng Spec	GS	12
Trng Tech	GS	4
Trng Spec	GS	12
Trng Tech	GS	5
Trng Tech	GS	12
Trng Tech	GS	6
Trng Spec	GS	13
Trng Tech	GS	7
Int'l Trng Offcr	GM	14
Secretary	GS	5
Trng Tech	GS	7
Int'l Trng Admr	GM	13
Int'l Trng Spec	GS	12
Trng Spec	GS	9
Trng Tech	GS	6
Trng Tech	GS	5

SUBTOTAL 38

TOTAL, INTERNATIONAL RESEARCH & DEVELOPMENT 138

ADMINISTRATION

Office of the Assistant Administrator

Asst Administrator for Administration	GM 14
Protocol Officer	GS 7
Secretary	GS 7
Clk Typ	GS 4

SUBTOTAL 4

Budget and Data Analysis

Budget Officer	GS 13
Secretary	GS 5
Computer Syst. Analyst	GS 12
Fiscal Analyst	GS 11
Budget Analyst	GS 11
Fiscal Analyst	GS 9
Program Analyst	GS 9
Fiscal Analyst	GS 7
Fiscal Accts Tech	GS 6
Fiscal Accts Tech	GS 4
Fiscal Acct Tech	GS 5

SUBTOTAL 11

Personnel Branch

Supv Personnel Speclst	GM 13
Pers Staff. and Class.	GS 12
Emp Rel Speclst	GS 12
Pos Classifn Speclst	GS 9
Pers Asst Typ	GS 7
Pers Asst Typ	GS 7
Secretary	GS 4
Clk	GS 1

SUBTOTAL 8

Travel Branch

Supv Trav Speclst	GS 12
Trav Asst	GS 8
Trav Asst	GS 8
Trav Asst	GS 7
Trav Clk	GS 6

SUBTOTAL 5

Management Services Branch

Contr Speclst	GM	13
Contr Speclst	GS	11
Contr Speclst	GS	11
Contr Speclst	GS	11
Suprt Srvcs Coord	GS	9
Suprt Srvc Asst	GS	7
Purch Agt	GS	6
Secretary	GS	6
Purch Agt	GS	5
Motor Vehcl Opr	WG	5

SUBTOTAL 10

TOTAL, ADMINISTRATION 38

Mr. **Whitten**. According to the grade and staffing summary table in the explanatory notes, OICD has 1 senior staff year assigned to a field office. What is the location of that field office and what are the responsibilities of that position?

Dr. **Wallace**. That position is the Director of our Far Eastern Regional Research Office in New Delhi, India. In addition to managing the office, the Director is responsible for administering and monitoring the Special Foreign Currency research grants.

OTHER SERVICES

Mr. **Whitten**. Please provide for the record a sub-object class breakdown of the other services account for fiscal years 1985, 1986, and 1987.

[The information follows:]

Subject object class	1985	1986	1987
2510 Contractual Services	113	113	113
2512 NFC Service	1,677	1,677	1,677
2513 WCF Equipment use	404	404	404
2514 Federal Protection	907	907	907
2515 Civil Defense	17	17	17
2516 Information Desk	65	65	65
2517 Design Center	1,121	1,121	1,121
2518 Video & Film Center	3	3	3
2520 Personnel Related Exp	1,383	1,383	1,383
2521 Temp. Storage Household	1,018	1,018	1,018
2523 Training, Tuition	1,894,114	1,516,861	117,814
2524 Security Investigaton	1,069	1,069	1,069
2525 Reimbursable detail	355	355	355
2528 Health Units	301	301	301
2530 Repair and Maintenance	3,610	3,610	3,610
2538 Telephone Equipment	895	895	895
2540 Contractual Services	325,096	261,076	262,123
2543 Spraying	6	6	6
2545 Art Work	33	33	33
2546 Market Promotion	94	94	94
2550 Agreements	41,507	41,092	41,092
2554 Research	8,745	8,745	8,745
2559 Agreements-other	562,893	447,344	447,344
2560 ADP Services	2,278	2,278	2,278
2570 Misc. Services	5,201	5,201	5,201
2573 Evaluation EXAD	65	65	65
2575 Non Travel Expenses	2,648	2,648	2,648
2580 Fees	1	1	1
2590 Distributed O/H	104,568	80,521	80,521
2599 Equipment use	97	97	97
Total	2,960,284	2,379,000	981,000

Mr. **Whitten**. What is the reason for proposing a decrease from $2,379,000 in FY 1986 to $981,000 in FY 1987 in the other services account?

Dr. **Wallace**. The decrease from $2,379,000 in FY 1986 to $981,000 in FY 1987 represents a $1,398,000 reduction in the Middle Income Country Training Program participant training and tuition costs.

FISCAL YEAR 1985 TRAVEL

Mr. WHITTEN. In fiscal year 1985, your actual travel expenses were $1,078,000. Please provide for the record a list of all travel outside the 48 contiguous States during fiscal year 1985, identifying the traveler, the places visited, the purpose of the travel, and cost of all travel.

Dr. WALLACE. We are able to give you the traveler, the places visited and the purpose of travel. We are unable to itemize the cost per trip. I will provide the travel report for the record. (The information follows:)

MONTHLY FOREIGN TRAVEL REPORT (NOVEMBER)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Adams, Scott	ARS, Veterinary Medical Officer	10/28-11/03	AID	TA	Jamaica	Perform the sero-diagnosis test for Caprine Arthritis and Encephalitis (CAE) following CAE's recent outbreak in Jamaica.
Amann, Victor	Non-Gov't., Project Coordinator	10/08-11/16	OICD	TA	The Gambia	Participate in a Manpower Assessment for the agricultural sector. Assessment will guide future directions for project identification and participant training priorities.
Armstrong, George	Non-Gov't., Forestry Environmentalist	10/16-11/17	OICD	TA	Burma	Prepare an assessment of the current and prospective role of the private sector in environmental and resource management activities. Make prioritized written recommendations on investment opportunities within the forestry/environment subsector.
Arndt, Thomas	Non-Gov't., Developmt. Consultant	09/19-09/23	OICD	TA	Sri Lanka	Review Soybean Utilization Project in Sri Lanka initiated by the International Soybean Program.
Borgatti, Joseph	Non-Gov't., Proprietor	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
Borlaug, Norman	Non-Gov't., Research Scientist	09/30-10/03	OICD	TA	Mexico	Participate as a member of an evaluation team to undertake assessment of ongoing and planned forestry activities and program strategies and related internal linkages.
Brown, Carol M.	Non-Gov't., Vice Pres. Aquaco Corporation	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
Bruce, William A.	ARS, Entomologist	11/03-11/14	OICD	IRD	Poland	Review U.S.-Polish Joint Board projects PL-ARS-98 (P-104) and PL-ARS-76 (JB-28).
Burditt, Arthur	ARS, Entomologist	11/16-12/16	AID	TA	Malaysia, Thailand, Singapore, Philippines, Brunei	Evaluate the effect of ethylene dibromide (EDB) phasing out on trade in agricultural products in the ASEAN.

ame	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
omfort, Robin	OICD, Tech. Officer	11/14-11/28	AID	TA	Egypt	Review and implement recommendations of the evaluation of the Egypt Data Collection and Analysis Project, negotiate DCA Project budget for FY 1985 and discuss extension of DCA Project beyond 5th year. Discuss other OICD project activity in Egypt with USAID/Cairo.
ooper, Tommye	OICD, Acting Director Info. and Evaluation	10/10-10/31	AID	TA	Portugal	Assist the PROCALFER Project in the utilization of computer hardware for data and word processing and project communication.
orliss, John	Non-Gov't., Watershed Management Specialist	10/13-11/10	AID	TA	Ecuador	Working in conjunction with USAID/Quito and officials of INECEL (Instituto Ecuatoriano de Electrificacion), design a scope of work for a longer term consultancy in planning and coordination of watershed management.
avis, Jerry T.	Non-Gov't., President Davis Forestry Inter.	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
enney, E. Wayne	OICD, International Affairs Officer	11/14-11/30	State	IOA	Italy	Attend FAO Council Meeting and participate in WFP Assessment.
oke, Clifford	OICD, Program Leader	09/26-10/06	OICD	TA	Zaire	Consult with USAID/Kinshasa and CERACOF officials concerning planning of a training program and support issues.
utky, Ethel	ES, Plant Pathologist	10/20-11/11	OICD	TA	Guinea-Bissau, Senegal	Work with the recently returned project participants, to set up a national integrated pest management idagnostic laboratory.
ddleman, Robert	SCS, State Conservationist	11/26-12/05	SCS	TA	Peru	Attend the National Soil and Water Conference in Lima and review various field activities centered around Cuzco.

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
dwards, Corwin	OICD, Technical Assistance Officer	09/30-10/14	AID	TA	Portugal	Develop budget for FY85 and gather materials for upcoming evaluation of the Portugal Agricultural Production Project.
ienup, Darrell	Non-Gov't., Agric. Economist	10/24-11/17	AID	TA	Portugal	Participate as Ag Economist/Team Leader in the evaluation of the Portugal Agricultural Production Project.
leming, Allen	OICD, Agric. Economist	09/16/84-09/16/86	OICD	TA	Burkina Faso	Resident assignment as project manager of SAFGRAD project.
rancia, William	SCS, State Conservationist	11/13-11/21	AID	TA	Dominican Republic	Perform additional work under the soil and water conservation component of the Natural Resource Management Project.
eary, Tom	FS, Asia Coordinator	10/14-11/03	OICD	TA	Philippines	Under the ASEAN Watershed Project, Dr. Geary will assist the Philippine Coordinating Unit in short to medium-term planning/budgeting of project activities. Planning of technical and managerial positions will be undertaken.
rant, Ulysses J.	Non-Gov't., Agronomy Professor	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
regg, Russell	Non-Gov't., Credit Advisor	09/15-10/28	OICD	TA	Tunisia	Expand the project credit manual, evaluate the quality of field agent work in establishing loan documentation, present seminars in loan procedures, and recommend methodologies in the strengthening of training as required.
ustafson, Perry	ARS, Research Geneticist	11/08-11/23	IAEA	TA	Ecuador, Peru	Ecuador: Consult with team member on their upcoming Peru plant breeding consultancy. Peru: Advise the International Atomic Energy Agency (IAEA) on their wheat breeding program.
lanson, Roger	Non-Gov t., Agronomist	10/24-11/20	AID	TA	Portugal	Participate as the Agronomist on the evaluation team of the Portugal Agricultural Production Project.
larvey, Paul H.	Non-Gov't., Professor Crop Science	10/21-10/27	OICD	TA	Mexico	Meet with scientists at CIMMYT to plan a corn improvement study and review their work on genetic traits and characteristics.

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Henderson, Sandra	Non-Gov't., Agribusiness Spec.	10/13-11/02	OICD	TA	Dominican Republic, Niger	In DR represent AID/ST/RD in a workshop on Rural Savings and Financial Markets being organized by the Central Bank of Mobilization of Rural Savings. In Niamey negotiate the terms of AID/ST/RD participation and technical assistance in an AID-funded project on rural credit.
Huber, Steven C.	ARS, Plant Physiologist	11/29-12/15	OICD	IRD	India	Review IN-SEA-168, IN-SEA-169, IN-SEA-170, IN-SEA-171, and IN-SEA-172 under the SFC Research Program.
Johnson, Vernon	Non-Gov't., Agric. Economist	11/02-11/10	OICD	TA	Zimbabwe	Serve as technical expert in agricultural research at the African Dialogue Meeting on Agriculture problems in Harrare. Co-chair CDA working group on Agriculture Research.
Kellen, William R.	ARS, Entomologist	11/07-11/20	OICD	IRD	Poland	Conduct technical review of PL-ARS-89 (J-MOA/USDA-12) under the U.S.-Polish Joint Board Program.
aurent, Kenneth	OICD, Agric. Economist	10/26-11/10	TREAS	TA	Saudi Arabia	Consult with AGWAT team leader regarding management and financial plan for next fiscal year and assist and develop an agenda and schedule for management/research reviews. Will also meet with Saudi Arabian and AUB officials on this assignment.
ewis, Roger P.	OICD, International Affairs Officer	11/05-11/08	OICD	IOA	Mexico	Negotiate U.S./Mexico Memorandum of Understanding for USDA/Mexico cooperation on World Bank Project.
owe, Arthur	Non-Gov't., Chairman of the Board Sears World Trade	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
Maner, Jerome	Non-Gov't., Livestock Specialist	10/24-11/20	AID	TA	Portugal	Participate as the Livestock Specialist on the evaluation team of the Portugal Agricultural Production Project.

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
McCorry, Jesse	Non-Gov't., Training Specialist	09/08-10/01	OICD	TA	Zaire, Malawi	Participate in long-range planning meeting for CEMCACOF course. In Malawi provide planning and course design in preparation for delivery of USDA course in Agriculture Research Management.
Mee, John	OICD, Supervisory Chemist	10/18-10/28	TREAS	TA	Taiwan	Consult with staff at the Asian Vegetable Research and Development Center on research ideas and administrative experience on agricultural development projects of mutual interest.
Minger, Walter	Non-Gov't., Agribusiness Consult.	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
Morrow, Robert	Non-Gov't., Agric. Economist	10/16-11/19	AID	TA	Burma	Carry out a review of AID/Burma's current agricultural sector strategy to determine the need for any changes, updating, or sharpening of focus and, if required, to make the necessary recommendations for revisions in the strategy and for a program to implement it.
Obern, Gaylord	Non-Gov't., Management Specialist	10/24-11/20	AID	TA	Portugal	Participate as the Management Specialist on the evaluation team of the Portugal Agricultural Production Project.
Penn, J. B.	Non-Gov't., President Economic Perspectives	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
Price, Eddie	FS, Forester	10/23-11/25	FAO	TA	China	Design a product line for combined OSB/particleboard and prepare specifications for equipment needed for a structura compostite facility.
Quinn, Arthur L.	Non-Gov't., Attorney	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
Rodgers, William	Non-Gov't., Agric. Development Officer	10/28-11/03	AID	TA	Guatemala	Assist in the design of a crop diversification/market information project for RDCAP.

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Segerson, Edward	Non-Gov't., Research Scientist	11/01-12/13	AID	TA	India	Provide to the ICAR for Agricultural Research in designing a project entitled "Embryo Technology and Engineering with Particular Reference to Buffalo."
Steele, Howard	OICD, Agric. Economist	10/28-11/05	AID	TA	Guatemala	Assist in the design of a crop diversification/market information project for ROCAP.
Synder, Joseph	Non-Gov't., Computer Spec.	10/25-11/11	OICD	TA	Cameroon	Assist in the initial processing and preparation of agricultural census data, so that it can be analyzed by automatic data processing equipment. This activity is critical at this time in order to complete the census in a timely fashion.
Tillman, Alan	Non-Gov't., Animal Prod. Spec.	11/01-12/13	AID	TA	India	Provide services to the ICAR in designing a project entitled "Biodegradation of Farm/Animal Water for Livestock Feed."
Timothy, David H.	Non-Gov't., Professor Crop Science	10/21-10/27	OICD	TA	Mexico	Meet with scientists at CIMMYT to plan a corn improvement study and review their work on genetic traits and characteristics.
Torres, Joaquin	SCS, State Conservationist	11/13-11/21	AID	TA	Dominican Republic	Perform additional work under the soil and water conservation component of the Natural Resource Management Project.
Veech, Joseph A.	ARS, Research Physiologist	11/08-11/28	OICD	IRD	Pakistan	Conduct technical reviews of PK-AR-172 (FG-Pa-365) under th Special Foreign Currency Program.
Welsh, Joe	Non-Gov't., Agribusiness Spec.	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.
Wheeler, Richard	Non-Gov't., President Winrock International	10/11-10/29	OICD	TA	Ecuador	Serve as leader of Presidential Task Force on Agriculture to Ecuador.
Whitaker, Morris	Non-Gov't., Director Internat'l. Programs Utah State	10/11-10/29	OICD	TA	Ecuador	Serve as member of Presidential Task Force on Agriculture to Ecuador.

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Whittle, Boyd	Non-Gov't., Agric. Development Officer	10/15-11/10	OICD	TA	Lesotho	Assist USAID/Lesotho in preparing issues and topics for consideration at a conference on horticulture to be held in Lesotho.
Wonton, Lee	Non-Gov't., Agribusiness Consult.	10/15-12/20	AID	TA	Guatemala	Serve as a deciduous fruit horticulturist to provide USAID/Guatemala and the Small Farmer Diversification Systems Project team with an analysis of the cultural practices and marketing aspects of certain fruits--particularly apples and avocados.
Zummo, Natale	ARS, Plant Pathologist	11/26-12/09	OICD	IRD	India	Provide expert guidance and conduct technical review of IN-SEA-164 (FG-In-588) under the SFC Research Program.

MONTHLY FOREIGN TRAVEL REPORT (DECEMBER)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Andualem, Yvonne	OICD, Technical Assistance Officer	12/03-12/15	OICD	TA	Niger, Mali	Visit the Mali Livestock Sector Project and meet with appropriate Host country and USAID officials and the USDA resident team. In Niger, meet with Host country officials and AID staff to discuss potential USDA programs.
Edwards, Corwin	OICD, Technical Assistance Officer	11/04-11/08	World Bank	TA	Mexico	Negotiate specifics of a Memorandum of Understanding with Government of Mexico, and an Agreement with the U.S. Embassy for the support of a four-man resident SCS team.
Fender, Frank	OICD, Int'l. Training Officer	11/09-11/24	AID	TA	Ecuador	Redesign the AID funded technology transfer project that will include substantial amount of technical assistance and agricultural and rural development training programs that will be provided both in Ecuador and the U.S.
Gray, Robert	OICD, Agric. Economist	11/25-12/05	OICD	AID	Burkina Faso, Ivory Coast	Participate in a consultative committee meeting for the Semi-Arid Food Grain Research and Development Project (SAFGRAD).
Hedlund, Robert C.	OICD, Associate Program Leader	12/02-12/15	OICD	IRD	Yugoslavia	Attend the U.S.-Yugoslav Joint Board Meeting and consult with cooperators on development of research projects under the program.
Hughes, Herbert	OICD, Technical Assistance Officer	11/14-12/21	OICD	TA	Italy, Ghana, Niger, Mali	Participate as a USDA member of an interagency assessment team that will evaluate world food program activities in several West Africa countries.
Hughes, Richard	OICD, International Program Officer	11/24-12/13	OICD	STE	Chile, Argentina, Brazil, Venezuela	Negotiate FY 85 bilateral S&T activities with Ministry of Agriculture officials and attend agricultural attache conference.

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Kincaid, David R.	OICD, Acting Director Int'l. Research	12/11-12/15	OICD	IRD	Costa Rica	Negotiate a foreign currency research proposal on fruit flies.
Labib, Adel	OICD, Systems Analyst	11/24-11/29	TREAS	TA	United Arab Emirates	Attend the 4th Annual Gulf Computer Exhibition in Dubai.
Otto, Ralph	OICD, Program Leader	12/17-12/21	TREAS	TA	Greece	Conduct a review of AGWAT research activities involving USDA, the American University of Beirut and the Ministry of Agriculture and Water.
Reed, L. Whitten	OICD, International Research Officer	11/24-12/01	OICD	IRD	Spain	Negotiate proposals for U.S.-Spain Program with Spanish Ministry of Agriculture officials before submission to the U.S.-Spain Joint Committee.
Reed, L. Whitten	OICD, International Research Officer	12/11-12/15	OICD	IRD	Costa Rica	Negotiate a foreign currency research proposal on fruit flies.
Walker, Jerry S.	OICD, Program Leader	12/02-12/15	OICD	IRD	Yugoslavia	Attend U.S.-Yugoslav Joint Board Meeting and consult with cooperators for development of research projects.
Wallace, Joan S.	OICD, Administrator	12/17-12/21	TREAS	TA	Greece	Conduct a review of AGWAT research activities involving USDA, the American University of Beirut and the Ministry of Agriculture and Water.
Wallace, Joan S.	OICD, Administrator	12/10-12/12	OICD	OA	Venezuela	Participate in Agricultural Attache Conference.

MONTHLY FOREIGN TRAVEL REPORT (JANUARY)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Boruchowitz, Steve	OICD, International	01/31-02/10	OICD	STE	Ivory Coast	Participate in Agricultural Attache Conference.
Cooper, Timmye	OICD, Director Info and Eval Staff	12/17-12/23	TREAS	TA	Greece	To conduct review of AGWAT research activities, involving USDA, the American University of Beirut and the Ministry of Agriculture and Water.
Godwin, Marshall	OICD, Ag Economist	12/09-12/14	Mission	TAD	Belize	Provide technical assistance to the Mission in the preparation of a scope of work for a PID for agricultural development.
McAlpine, John	OICD, International Program Officer	01/28-02/10	OICD	STS	Bulgaria, Romania, Hungary, Austria	Work out exchange programs for 1985 and make early preparations for Joint Working Group meetings.
Pryor, Shirley	OICD Detail Ag. Economist	11/04-10/84	AID	TA	Jamaica	Work with the USAID and OICD's University of Missouri Cooperator to define the set of policy issues to be analyzed. This work is being done under an OICD/University of Missouri Cooperative Agreement to analyze three Jamaican household expenditure surveys.
Steele, Howard	OICD, Ag Economist	01/06-01/11	Mission	TAD	Barbados	Attend the Caribbean Region Agricultural Market Intelligence Seminar sponsored jointly by USAID and the Barbados Marketing Corporation.
van Haeften, Roberta	OICD, Ag. Economist	11/10-25/84	AID	TA	Thailand	Participate in an IFPRI- sponsored conference on "Consumer Oriented Food Subsidies" in Chiang Mai. Consult with the USAID about possible technical assistance in conjunction with their "Agricultural Planning" project in Bangkok.
					Indonesia	Consult with the USAID about joint sponsorship of a study to evaluate the consumption effects of the USAID's "Secondary Crops" project in Jakarta.

MONTHLY FOREIGN TRAVEL REPORT (JANUARY)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Wong, Samuel	OICD, International Program Officer	01/13-01/19	OICD	STE	Philippines, Japan	Consult with U.S. and Asian officials in Manila and Tokyo about technical programs between the U.S. and the Philippines and Japan for FY 85.

MONTHLY FOREIGN TRAVEL REPORT (FEBRUARY)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Boruchowitz, Steve	OICD, International	01/31-02/10	OICD	STE	Ivory Coast	Participate in and provide staff support to OICD Administrator at Ag Attache Conference and to discuss potential for ad hoc scientific exchanges with Ivory Coasst.
Braden, Donald	OICD, Agricultural	02/10-03/13	AID	TA	Haiti	Take part in a vegetable export study to evaluate the agronomic potential for producing fruits and vegetables. In general, to assess the potential for export quality produce and to suggest development strategy.
Dehasse, Jean A.	Non-Government Mgmt. Spec.	01/17-02/18	OICD	IT	Zaire	Consult with USAID and local officials to prepare for and act as second trainer to present the Management of Organizational Change course in Kinshasa.
Ellers, David A.	OICD, Food Technologist	02/08-03/09	AID	TA	Philippines	Discuss and resolve problems and plan details of future activities in the Rice Bran Stabilization Project.
Edlund, Robert C.	OICD, Associate Program Leader	02/24-03/23	OICD	IRD	Yugoslavia, India	Yugoslavia—Participate in initial planning session for Yugoslavia-U.S. Food Technology & Human Nutrition Conference. India—Provide expert guidance during negotiation of new projects, review ongoing projects in biocontrol of pests, and become familiar with FERRO procedures.
Lee, Franklin D.	OICD, Chief	02/16-02/18	OICD	PSR	St. Croix	Open Agricultural Fair in U.S. Virgin Islands.

MONTHLY FOREIGN TRAVEL REPORT (FEBRUARY)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
McAlpine, John	STE, International Program Officer	02/25-03/12	OICD	STE	Bulgaria, Rumania, Hungary, Austria	Work out exchange programs for 1985 and make early preparations for Joint Working Group meetings.
Muihragui, Eileen	Non-Government Ag Economist	01/12-03/15	OICD	IT	Togo	Consult with USAID and host country officials on design and to serve as co-trainer for the Togo Small Farmer Credit Course to be conducted in Lome.
Olson, David	Non-Government Mgmt. Trainer	02/20-03/15	OICD	IT	Togo	Work with USAID and host country officials in final preparation and serve as co-trainer for the Togo Small Farmer Credit Course.
Reintsma, Curt	Non-Government Ag Economist	01/20-02/14	OICD	TA	Rwanda, Mali	Work with local USAID and host country officials and representatives of Michigan State University in developing the Rwanda and Mali components of upcoming research under the Food Security Cooperative Agreement.
Strum, Herbert L.	OICD, Ag Marketing	01/26-02/01	AID	PSR	Barbados	Make advance preparations for USDA Agricultural Marketing Workshop for Eastern Caribbean.
Walker, Jerry S.	OICD, Program Leader	02/17-02/23	OICD	IRD	Egypt	Review the SFC Agricultural Research Program with Embassy and Government of Egypt officials.
Yanosky, Gloria D.	OICD, Fiscal Tech	02/17-02/23	OICD	IRD	Egypt	Review SFC payment procedures with Embassy for Egyptian grants and established improved budget procedures for SFC administrative account.

MONTHLY FOREIGN TRAVEL REPORT (MARCH)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
CROWLEY, Paul R.	OICD, Chemist	03/02-03/29	AID	TA	Egypt	Assist USAID/Egypt and the Government of Egypt draft an ACTIVITY PAPER for a project to fortify all the wheat flour used in Egypt with iron in order to alleviate iron deficiency anemia.
DALRYMPLE, Dana	OICD, Agricultural Economist	03/10-03/18	AID	TA	Italy	Observe and participate in technical discussions at the 36th meeting of the Technical Advisory Committee of the CGIAR. He will also act as resource person to the U.S. delegation to the FAO Commission on Plant Genetic Resources.
DENNY, Wayne	OICD, International Relations Advisor	03/18-03/29	State	IOA	Italy	FAO Commitee on Agriculture (COAG).
HOLMES, Richard	OICD, STE, International Program Officer	03/19-03/28	OICD	STE	Venezuela	Participate in third meeting of Venezuela/United States Agricultural Commission.
NEIL, Helen	OICD, Foreign Research Grants Coordinator	02/21-03/09	OICD	IRD	India	Instruct FERRO staff on research coordination procedures in IRD.
NEMETH [illegible], Maria	OICD, STE, International Program Officer	03/22-03/30	OICD	STE	France, FRG	Develop detailed plans for scientific exchanges with France. In Germany to discuss financial arrangements for exchanges and to develop new financial document to be adapted at the April Working Group meeting.
O'BRIEN PLACE, Patricia	OICD, Agriculture Economist	03/07-03/11	AID	TA	Dominican Republic	Define a scope of work and develop liaison with AID/Santo Domingo and GODR for Tufts Subsidized Consumption Study.
RORTVEDT, Richard	OICD, STE, Director	03/19-03/28	OICD	STE	Venezuela	Participate in third meeting of Venezuela/United States Agricultural Commission.

MONTHLY FOREIGN TRAVEL REPORT (MARCH)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
STEELE, John	OICD, Technical Assistance Officer	02/21-03/09	AID	TA	Peru, Ecuador	Consult with USAID missions and officials of host country governments concerning ongoing PASA activities and possible future technical assistance.
WALKER, Jerry S.	OICD, Program Leader	03/21-04/14	OICD	IRD	Taiwan, India, Thailand	Attend S&T Subcommission meetings in India. Project development in Taiwan and Thailand.
WITCHER, Max	OICD, IOA, Director	03/11-03/1[illegible]	State	IOA	Switzerland	United Nations Economic Commission for Europe (ECE) Committee on Agricultural Problems.

MONTHLY FOREIGN TRAVEL REPORT (April, 1985)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	* Funded By	OICD Sponsor	Destination	Purpose
Kincaid, David R.	OICD, Director	04/15-04/19	OICD	IRD	Azores	Provide technical advice and counsel regarding the control of Japanese beetles in the vicinity of Lajes Air Base, Terceira.
McAlpine, John	OICD, International Affairs Specialist	02/25-03/12	OICD	STE	Hungary	Work out exchange programs for 1985 and make earl preparations for Joint Working Group meetings.
[illegible], Maria	OICD, International Affairs Specialist	04/21-04/27	OICD	STE	Federal Republic of Germany	Participate in the Working Group meeting.
O'Brien Place, Patricia	OICD, Ag Economist	03/17-03/21	AID	TA	Dominican Republic	Finalize working relationships with GODR and AID Mission officials, to install the field manager, and to initiate the research for the Subsidized Consumption Study funded through cooperative agreement between Tufts University and AID/S&T/N.
[illegible], Richard	OICD, Director	04/21-04/27	OICD	STE	Federal Republic of Germany	Chair Working Group meeting of FRG-United States exchanges.
Steele, Howard	OICD, Ag Economist	03/24-03/28	AID	TA	Guatemala	Participate in discussions regarding a non-traditional agricultural export-support project paper.
Steele, John	OICD, Technical Assistance Officer	03/27-04/03	AID	TA	Guatemala	Elaborate scopes of work for two additional long-term advisors (marketing and irrigation) and for 18 months short-term assistance. Review progress to date on the Small Farmer Diversification Project.

MONTHLY FOREIGN TRAVEL REPORT (May, 1985)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

ame	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
oruchowitz, Steve	OICD, International Affairs Specialist	05/03-05/09	OICD	STE	Algeria	Review progress of MOU and plan FY 85 activities.
raden, Don	OICD, Agronomist	05/05-05/20	AID	TA	Belize	Participate as member of a project identification team to redesign an agricultural diversification project for Belize.
ook, Charles	OICD, Assistant Administrator for Administration	05/30-06/13	TREAS	TA	Saudi Arabia	Assist USDA Chief of Party and other AGWAT personnel in the handling of the scheduled phase-down of program operations.
dwards, Corwin	OICD, Technical Assistance Officer	04/20-04/27	AID	TA	Portugal	Assist in refining budget and participate in review and revision of overall project workplan and training activities planned for FY 85-87 for the Portugal Agricultural Production Project.
ellers, David A.	OICD, Food Technologist	05/28-06/15	AID	TA	Philippines	Review Rice Bran Stabilization Agreement with NFA in light of current constraints, develop/discuss options and negotiate acceptable adjustments.
teele, Howard	OICD, Ag Economist	05/10-05/22	AID	TA	Bolivia	Participate in a marketing seminar to be held May 12-18; Review and consult with Mission officials on the on the Rural Development Division portfolio.

MONTHLY FOREIGN TRAVEL REPORT (JUNE 1985)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Abbott, Mark I.	OICD, Program Leader	06/24-07/08	OICD	IRD	Israel, Egypt	Project coordination meeting with Israeli and Egyptian scientists on Trinational (Egypt-Israel-U.S.) Ecosystems Project.
Bridgett, Catherine	OICD, Secretary	06/05-06/19	OICD	STE	USSR	Assist in U.S./U.S.S.R. Working Group meetings.
Butcher, James D.	OICD, Program Leader	06/02-06/07	OICD	IRD	Israel	Attend the Board of Directors meeting of the U.S.-Israel Binational Agricultural Research and Development Fund (BARD).
Denney, Wayne	OICD, International Relations Advisor	06/10-06/13	State	IOA	France	World Food Council Meeting.
Denney, Wayne	OICD, International Relations Advisor	06/25-07/01	State	IOA	Thailand	Regional Commission on Food Security for Asia and the Pacific.
Edwards, Corwin	OICD, Technical Assistance Officer	06/30-07/06	World Bank	TA	Mexico	General project review of the World Bank Soil Conservation Project and to renegotiate the Memorandum of Understanding with the Government of Mexico.
Guroff, Avram	OICD, Deputy Assistant	06/05-06/24	OICD	STE	USSR	Participate in U.S./U.S.S.R. Working Group meetings.
Kelly, Thomas	OICD, International Relations Advisor Administrator	06/05-06/13	OICD	IOA	France	Attend the OECD Meeting.
Kincaid, David R.	OICD, Director	06/20-06/30	OICD	IRD	Portugal, Israel	Portugal: to discuss the Japanese beetle problem in the the Azores with Embassy and agricultural officials. In Israel for project coordination meeting with Israeli and Egyptian scientists on Trinational (Egypt-Israel-U.S.) Ecosystems Project.

Larrabee, Lynne	OICD, International Relations Advisor	06/10-06/13	OICD	IOA	France	World Food Council Meeting.
Nemethcik, Maria	OICD, International Affairs Specialist	06/05-06/19	OICD	STE	USSR	Participate in U.S./U.S.S.R. Working Group meetings.
Priddy, Veronica	OICD, Program Specialist	05/23-6/3/85	AID	TA	Somalia	Assist the Mission in planning its overall training program. Plan for two near-term management courses.
Hurtvedt, Richard	OICD, Director	06/05-06/24	OICD	STE	USSR	Participate in U.S./U.S.S.R. Working Group meetings.
Witcher, Max	OICD, International Relations Advisor	06/17-06/28	State	IOA	Italy	FAO Council Meeting.

MONTHLY FOREIGN TRAVEL REPORT (JULY)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
Allison, Kathleen	OICD, Audio-Visual	07/06-07/30	AID	TA/IT	Guatemala	Present two courses in video production and one in Training of Trainers, and organize a Communications Unit to include a review of the local training needs.
Gray, Robert	OICD, Ag Economist	07/09-08/01	OICD	TA	Italy, Senegal, Mali, Nigeria, Ivory Coast, Burkina Faso	Confer with Cooperation for Development of Africa donors, the AID regional office in West Africa and the Organizations for African Unity relative to management aspects of the Semi-Arid Food Grain Research and Development II Project.
Kincaid, David R.	OICD, Director	07/01-07/11	OICD	IRD	Israel, Egypt, and Saudi Arabia	Project coordination meeting with Israeli and Egyptian scientists on Trinational (Egypt-Israel-U.S.) Ecosystems Project. Conduct technical review of activities at RAWRC in Egypt.
Lewis, Roger	OICD, International Relations Adviser	06/30-07/06	OICD	IOA	Mexico	Participate in discussions of the World Bank funded Chiapas Project in Mexico.
Lewis, Roger	OICD, Internatonal Relations Adviser	07/28-08/03	State	IOA	Costa Rica	Participate in the IICA Fifth Executive Committee Meeting.
Witcher, Max	OICD, Director	07/28-08/03	IICA	IOA	Costa Rica	Participate in the IICA Fifth Executive Committee Meeting.

MONTHLY FOREIGN TRAVEL REPORT (AUGUST 1985)
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

	Agency/Title	Dates of Travel	Funded By	OICD Sponsor	Destination	Purpose
ohnson, Charles	OICD, Program Specialist	08/09-08/17	OICD	IT	Iraq	Selection of MIC participants for 1985 and 1986.
raden, Donald	OICD, Ag. Agronomist	08/12-08/23	AID	TA	Guatemala	Study possible location of storage center packing sheds for small farmer produce.
aden, Donald	OICD, Ag. Agronomist	08/27-09/04	AID	TA	Haiti	Conduct/participate in the Ag. Producer's Workshop.
tering, Merlyn	OICD, Project Development Specialist	08/28-10/03	AID	TA	Thailand, Malawi	Thailand: Participate in the international conference on Rapid Rural Appraisal being held at Khon Kaen University on September 2-5. Malawi: Assist and provide direction and guidance to the Ministry of Agriculture to activate the Malawi Agriculture Research and Extension (MARE) project. Establish and/or review implementation procedures and develop initial project work plans and schedules.
aid, David R.	OICD, Director	08/25-09/13	OICD	IRD	India	Serve as Acting Director of the Far Eastern Regional Research Office.
Helen Place, atricia	OICD, Ag. Economist	07/22-07/26	AID	TA	Dominican Republic, Santo Domingo	Advise staff on economic model for study on consumption effects of consumer food price subsidies.
yor, Shirley	OICD, Ag. Economist	07/29-08/12	AID	TA	Zaire, Liberia	Zaire: Discuss and develop strategy for including consumption concerns in USAID's agricultural activities. Liberia: Write scope of work and discuss financial and institutional agreement for proposed urban consumption survey.
teele, Howard	OICD, Ag. Economist	08/27-09/02	AID	TA	Haiti	Participate in the Ag. Producer's Workshop.
allace, Joan S.	OICD, Administrator	08/25-08/28	OICD	PSR	Bahamas	Speaker at the World Confzrence of Mayors.

J. Samuel	OICD, International Affairs Specialist	08/17-09/15	OICD	STE	Japan, China	Japan: Meet with Japanese officials regarding S&T cooperation in agricultural biotechnology. Participate in the USDA-sponsored workshop on the interface of grazing animals and forage. Meet with UJNR officials for review of cooperative programs. China: Meet with Chinese officials regarding procedures for reactivating S&T exchanges. Make plans for exchanges in FY 86.

[illegible] FOREIGN TRAVEL [illegible]
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Name	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Purpose
[illegible]	[illegible], Program Leader	[illegible]	[illegible]	[illegible]	[illegible]	Attend annual meeting of Caribbean Food Crops Society and work out arrangements for a training workshop in agricultural research management.
[illegible]	[illegible], International Affairs Specialist	[illegible]	[illegible]	[illegible]	Kenya, Zimbabwe, Ivory Coast	Kenya: [illegible] African [illegible] project with Embassy and Ministry [illegible] agricultural marketing workshop with [illegible] and [illegible]. Zimbabwe: [illegible] Executive Secretaries meeting to [illegible] program for 1986/1987. Ivory Coast: Discuss [illegible] program implementation with [illegible] and Ministry officials, discuss [illegible] Marketing [illegible] with Embassy, Ministry and USAID officials.
[illegible]	[illegible] Assistant, Administrative [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Serve as member of US Delegation to the International Institute of Administrative Service Round Table.
[illegible]	[illegible] Program Leader	[illegible]	[illegible]	[illegible]	[illegible]	Assist in putting [illegible] soil laboratory computer in operation. [illegible] on the [illegible] soils laboratory for [illegible] Agricultural Production Project.
[illegible]	[illegible] Agricultural Economist	[illegible]	[illegible]	[illegible]	Bahamas	[illegible] a presentation on Caribbean Basin Initiative activities.
[illegible]	[illegible] Program Leader	[illegible]	[illegible]	[illegible]	Morocco, Zaire	Morocco: [illegible] training program. Zaire: [illegible] training program.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	This is a two week tour of duty. The technician will be [illegible] in the analysis and evaluation of all aspects of the economy of [illegible] on which agricultural production and consumption have a direct impact.

Hedlund, Robert E.	OICD, Associate Program Leader	09/09-09/30	OICD	IRD	India	Serve as Acting Director of the Far Eastern Regional Research office.
Gray, Robert	OICD/Ag Economist	08/14-09/11	OICD	TA	Burkina Faso Ivory Coast	Confer with the officials of USAID and the Organization of African Unity concerning the extension of SAFGRAD. Participate in writing the extension documents.
Gulley, James	OICD, International Training Specialist	09/20-11/[illegible]	OICD	IT	Zaire	Evaluation study of project 660-0052, Agricultural Economic Development.
Kettering, Mervin	OICD, Project Development Specialist	09/18-10/02	AID	TA	Malawi	Assist and provide direction and guidance to the Ministry of Agriculture to activate the Malawi Agriculture Research and Extension Project (MARE) Establish and/or review implementation procedures, and develop initial project workplans and schedules.
Kincaid, David R.	OICD, Director	08/31-09/13	OICD	[illegible]	India	Serve as Acting Director of the Far Eastern Regional Research office.
Larrabee, Lynne	OICD, International Relations Advisor	09/15-09/28	OICD	IOA	Mexico	Serve as part of an OICD team seeking to establish USDA cooperation on a World Bank funded training program in Mexico.
Lewis, Roger	OICD, International Relations Advisor	09/28-09/30	OICD	IOA	Italy	IFAD second Replenishment Negotiation.
[illegible]land, Suzanne	OICD/Agronomist	[illegible]	OICD	TA	Burundi	Aid in developing a farm plan for the next cropping season. Provide agronomic advice to the farm personnel.
Werner, Elizabeth	OICD International	[illegible]	[illegible]	[illegible]	China, Japan	China: Meet with Chinese officials about procedures for reactivating S&T exchanges and make plans for exchanges in FY 86. Japan: Meet with Japanese officials, academicians about the possibility of jointly sponsoring an Agricultural Trade policy seminar to be held in FY 86.

* [illegible]	[illegible]	[illegible]	State	[illegible]	Thailand	Represent the United States at the Sixth Session of The United Nations Economic and Social Commission for Asia And The Pacific, and the Committee on Agricultural Development, October [illegible], 1985.
[illegible]	[illegible] International Affairs Specialist	[illegible]	[illegible]	[illegible]	Japan, China	Japan: (1) Meet with Japanese officials about S&T cooperation in agricultural biotechnology, (2) participate in the [illegible]-sponsored workshop on the interface of grazing animals and forage and (3) meet with [illegible] officials for [illegible]. China: Meet with Chinese officials about procedures for reactivating S&T exchanges, and make plans for the exchanges in [illegible].

AID REIMBURSEMENTS

Mr. WHITTEN. According to the explanatory notes your actual reimbursement from AID in fiscal year 1985 was approximately $4 million more than you were anticipating at this same time last year. Please describe the basis for the increase. How was the additional funding utilized?

Dr. WALLACE. The increase from the fiscal year 1985 estimate to actual for AID reimbursements was due to three new projects and a general increase in workload over what we anticipated a year earlier. The three new projects were the Trilateral Agricultural Project between Egypt, Israel, and the U.S., agribusiness development activities in Latin America and the Caribbean, and agriculture disaster assistance.

Mr. WHITTEN. According to the explanatory notes the amount of the reimbursment designated to be received from AID in fiscal year 1987 is approximately $1 million more than the amount estimated for fiscal year 1986. Please provide for the record the nature of the increase.

Dr. WALLACE. The fiscal year 1987 estimate is based on the fiscal year 1986 level adjusted for promotion and within grade increases as well as inflation at 4.1% of non-salary expenses.

Mr. WHITTEN. How much of the funds received from AID is devoted to OICD personnel compensation and benefits, and how much is devoted to project activities?

[The information follows:]

	FY 1985	FY 1986	FY 1987
Personnel compensation and benefits	$5,624,000	$5,776,000	$5,586,000
Project activities	32,160,079	30,103,000	31,215,000
Total	37,784,079	35,879,000	36,801,000

NON-FEDERAL FUNDS

Mr. WHITTEN. For fiscal year 1987, you are estimating that you will receive $3,352,000 miscellaneous contributions for USDA development assistance of international research projects from Spain, Saudi Arabia, and other developing countries. Please provide in some detail the nature of the work planned and the countries involved.

[The information follows:]

Saudi Arabia	$2,857,000
Manpower Development, On-Farm Water Usage, Fruit and Vegetable-Diversification and Marketing, Field Crop Diversification, Information Resource Management, Meat Inspection, Animal Quarantine, Plant Quarantine and Plant Introduction, Brucella Vaccine Production.	
Spain	375,000
Implement 38 ongoing U.S.-Spain Agricultural research projects Travel, records and document management and program reviews for Spanish scientists in the United States.	
Bangladesh	6,300
Indonesia	4,320
Somalia	7,200
Mexico	13,800
Academic degree seeking training participants.	
Other developing countries	63,654

Training fees associated with short course technical agricultural training.	
FAO Sponsored participants	24,726
Training fees associated with short course technical agricultural training.	

Mr. WHITTEN. According to the explanatory notes you have revised the estimate of the fiscal year 1986 contributions received from approximately $7 million in the fiscal year 1968 notes to $3.2 million in the fiscal year 1987 notes. Please explain for the record the reason for the revision. Did the revised estimates have an effect on the OICD staffing? If so, please describe for the record.

Dr. WALLACE. The explanatory notes reflect a reduction from $7.9 million to $3.2 million in fiscal year 1986 because of an in-country decision to reduce the amount of funds available for USDA projects in Saudi Arabia. The revision had no effect on OICD staffing. All reductions were taken from the non-ceiling staff-years assigned to the project in Saudi Arabia.

GENERAL OVERHEAD COSTS

Mr. WHITTEN. Of the research and development monies received or coordinated by OICD, how much is used to finance OICD overhead costs?

Dr. WALLACE. In fiscal year 1986, we will spend $900,000 to administer research programs worth $15,594,000.

U.S.-ISRAEL BINATIONAL AGRICULTURAL RESEARCH AND DEVELOPMENT FUND (BARD)

Mr. WHITTEN. According to the explanatory notes a review of BARD operations and accomplishments was completed in 1985. Please provide for the record a summary of each of these evaluations.

[The information follows:]

Operations: The reviewers found BARD to be efficiently administered. This is evidenced by the fact that administrative operating expenses are below 8 percent. This low figure is impressive considering that travel expenses for the Technical Advisory Committee members, Board members, and other officials are included.

The BARD staff is dedicated, hard-working and prepared to address problems efficiently. Staff members conduct administrative reviews at grantee institutions in the United States and Israel and maintain personal contacts with project scientists. This contributes to effective operation.

The entire staff, and in particular the Executive Director, Deputy Executive Director, and Controller are commended for their contribution to the effective operation of the fund. Liaison personnel in USDA are similarly recognized.

Accomplishments: Project reviewers, scientists, research administrators and deans of colleges of agriculture were asked for their views and opinions. They concurred that BARD is a high-quality operation and that projects focus current agricultural research needs. Fifty-four project final reports were evaluated. On scientific merit (on a scale of 1 to 5), ten of the projects were rated 5. On benefit to agriculture (also on a scale of 1 to 5), four were rated 5 and 19 were rated 4. These numbers bear out BARD's contribution to agriculture.

In terms of publications and education, BARD's productivity has been outstanding. For example, one aquaculture project is credited with 12 publications in refereed journals, and 11 M.S. and 3 PH.D theses: a soil and water project produced 4 refereed publications, 1 M.S. and 1 PH.D. thesis; and agricultural engineering project contributed 6 refereed publications, 1 M.S. and 1 Ph.D. thesis. In addition, one project in agricultural economics produced 1 Ph.D. and 6 M.S. theses, and 4 refereed publications, one of which received an award from the American Agricultural Economic Association for quality of research discovery.

Selected Research Accomplishments: The specific research accomplishments range from advances in basic science and economic theory through valid demonstrations of concepts or solutions to problems. The following statements are illustrative of the scope, dimension and value of these accomplishments.

An understanding was gained of the development, flowering patterns, and fruit set pattern of a type of melon that has the potential to reduce harvest-labor costs. Plant materials useful to the widely differing climatic and soil conditions of Florida and Israel were developed and show promise as high-quality cultivars with once-over harvest capability.

Applicability and knowledge of the biological and physical effects of solarization (solar heating of soils by covering with transparent polyethylene, thereby increasing temperature) was greatly increased. Effectiveness of solarization against many soil-borne pathogens besides Verticillium was demonstrated. In many cases solarization was shown to be more effective than nematicides in supressing nematodes. Long-term effects (lasting more than one season) were noted with six diseases. Chemical changes in soils were detected and often accompanied by increased growth response. Microbial changes and biological control phenomena were induced in solarized soils. Solarization offers an effective nonchemical option for pest control that has been used successfully on a commercial scale.

Mr. WHITTEN. Last year you stated that BARD's goal is to reach an equal distribution of funds among American and Israeli institutions. Was progress made on that goal in fiscal year 1985?

Dr. WALLACE. Yes, BARD funds were distributed more equally to American and Israeli institutions in fiscal year 1985. In fiscal year 1985 BARD awarded $9,000,000 for research projects. Forty-five per cent of those funds were awarded to the U.S. side of the projects and 55 percent to the Israeli side. This is a substantial improvement over the historical division of 61 percent for Israel and 39 percent for the United States since the BARD program began.

U.S.-SPAIN AGRICULTURAL RESEARCH PROGRAM

Mr. WHITTEN. Please list for the records the 27 joint research proposals that have been funded to date, along with the funding for each proposal.

Dr. WALLACE. In March 1986, 11 new agricultural research projects were approved, increasing the number of projects to 38 for a total value of $6,905,304. I will provide the list for the record.

Regarding the U.S.-Spain Program, it is important to call special attention to the fact that almost half of the funds are actually spent in the United States. This is the main departure from earlier U.S.-Spain programs where virtually all the funds went to institutions in Spain. In other words, nearly half the funds of the Spanish Program go directly to the 12 participating U.S. universities plus ARS, FS and ERS. The Spanish Government and the U.S.-Spain Joint Committee recognize the value of mutual interest research and have endorsed the concept that both cooperating institutions receive funds from the program. The projects themselves address problems/issues of mutual interest; so the results of the research also stand to benefit the United States.

[The information follows:]

Approved date: January 24, 1984:

Title	*Amount*
Cotton Disease Control and Irrigation Water Use Efficiency	$160,000
Nutritive Value of Sunflower Seed Meal in Monogastric Animal Diets	79,000
Studies of Immunity and Immunopathology in African Swine Fever	216,300
Improvement of Legumes	319,700
Conservation of Sheep Germplasm	244,000

Title	Amount
Freezing and Preservation of Semen in Swine	247,700
Forest Fire Prevention	268,000
Viroid Diseases in Citrus	207,300
Recombinant DNA in Grains	390,200
Barley Yellow Dwarf Virus	272,500
Studies of the Citrus Tristeza Virus (CTV)	214,600
Crop Water Requirements	198,500
Economics Study of the Livestock Feedgrain Sector	230,400
Statistical Applications in Agriculture	184,700
Natural Products for Innovative Pest Management	327,000
Approved Date: March 27, 1985:	
Mechanical Impact in Fruits	106,800
Hypogeous Fungi and Mycorrhizae	189,000
Grass Weeds in Cereals	134,110
Breeding of Anestrous Ewes	141,794
African Swine Fever Virus Target Cells	150,000
Immunity in Parasitosis	143,290
Psorosis Disease of Citrus	170,000
Dairy Breeding Improvement	172,374
Hill Pasture Improvement	164,882
Irrigation Return Flows	86,519
Viral Diarrheas of Pigs	175,000
Recombinant DNA and Culture for Spiroplasma Diagnosis	80,231
Approved Date: March 19, 1986:	
Fruit Growth and Development: Enzymes	109,000
Genetics of Wheat-Storage Proteins	163,601
Integrated Control of Chickpea Diseases	160,373
Rapid Detection of Viral Diseases of Salmonid Fishes	150,000
Characterization of Viroid-like RNAs Related to Grapevine Diseases	152,388
Irrigation and Rootstock Nutrition in Peaches	141,332
Molecular Basis for FMD Virus Variation	128,720
Pollination and Fruit Set in Fruit Species	147,518
Brucella ovis Induced Epididymitis in Rams	162,199
Rhizobium Enhancement of Nitrogen	157,433
Isozymes in Barley Genetic Analysis	158,840

TECHNICAL ASSISTANCE

Mr. **Whitten**. In the explanatory notes reference is made to several technical assistance projects. How much of the OICD budgetary and staff resources are devoted to technical assistance activities?

Dr. **Wallace**. In fiscal year 1986 we will spend approximately $23,721,000 and 59 staff years for technical assistance activities. In addition to the OICD staff years, we will use 750 technicians from USDA and non-USDA sources. These technicians will work on long- and short-term overseas assignments.

FOOD SECURITY ACT OF 1985

Mr. **Whitten**. Did the Food Security Act of 1985 place any new requirements on OICD? If so, please explain in some detail for the record.

Dr. **Wallace**. Section 1162(a) of the Food Security Act of 1985 requires that the Secretary of Agriculture assess each program project or activity administered by the Secretary or the Department of Agriculture which provides assistance to foreign countries related to the production of commodities, or products thereof, that could displace U.S. commodities or products in international trade. The initial assessment covering current programs must be made within 12 months from the date of enactment of the provision and assessments of new or continuing programs must be made on a regular basis.

OICD estimates that the Department will devote approximately 14 weeks of staff time in gathering the data from relevant agencies and preparing the initial report. Roughly four weeks of staff time would be required in each subsequent year.

Mrs. Smith?

Mrs. SMITH. Let me thank you very much for an excellent statement.

INTERNATIONAL RESEARCH

Dr. Wallace, two of OICD's current resarch programs are not in the FY 1987 budget request—the Special Foreign Currency Program and the Collaborative Research Program. Could you please give us a brief explanation of these two programs? How do they differ, and what types of research are done under each?

Dr. WALLACE. The Agricultural Trade, Development, and Assistance Act of 1954—P.L. 480—authorizes USDA to use U.S.-owned foreign currencies to support cooperative agricultural and forestry research on problems of interest to the United States and participating foreign countries. OICD represents all USDA agencies in this activity. Since the program's inception in 1958, over 2,000 research projects worth about $143 million in foreign currencies have been negotiated in 32 countries. Scientists in Pakistan, India, and Egypt are now working on 147 projects under this program.

The Foreign Currency Research program consists of agricultural research projects with a high level of personal interaction between scientists. Today's cooperative agricultural research in Israel, Poland, and Yugoslavia is the result of past successes of the P.L. 480 programs in those countries.

Overseas research has provided new knowledge and technology for U.S. agriculture in such areas as animal and plant diseases, pest control, and germplasm.

OICD initiated the Collaborative Research Program in 1982 to provide partial support for substantial long-term binational research on priority areas of benefit to U.S. agriculture. This program enables OICD to respond rapidly to urgent agricultural research needs concerning potential threats to American agriculture and its export and domestic markets, such as citrus canker, fruit flies, karnal bunt, and African swine fever. High-priority projects are selected for funding in consultation with USDA agencies, U.S. universities, and private agricultural organizations.

OICD funding constitutes a catalyst to focus the research resources of U.S. and foreign institutions on common agricultural problems. U.S. scientists are provided modest funds for travel, supplies, computer time, etc., to carry out joint projects with foreign counterparts.

Mrs. SMITH. Is the Special Foreign Currency Program being eliminated because foreign currencies are no longer available for use in other countries?

Dr. WALLACE. Although the number of countries where U.S.-owned foreign currency is designated "excess" will decline, USDA's SFC appropriation language differs from other Departments in that payments are not restricted to excess currencies. Thus, we are able to fund from our SFC account, on a limited and selective basis, research projects outside the excess currency countries. We make special arrangements with our Embassies to ensure use of only U.S.-owned foreign currency balances.

Mrs. SMITH. These programs have been around a number of years. Have you done any type of analysis of the impact they are having?

Dr. WALLACE. Each project under these research programs is required to submit periodic progress reports and a final report. The findings are summarized and their significance commented on by the U.S. Cooperating Scientist. To assess the impact of the SFC Research program as a whole, we contracted with Associates in Rural Development, Inc. to assess the impact of the program in the United States, as well as the cooperating countries.

I will provide for the record a copy of ARD's report dealing with 863 projects conducted in the broad functional areas of plant science, entomology, animal science, veterinary science, soil and water conservation and agricultural engineering from 1958-1980.

ARD is currently working to complete the assessment by evaluating another 900 projects in the areas of

Entomology, plant science, animal science, veterinary science, agricultural engineering, soil and water conservation between 1980 and 1985--156 projects;

Human nutrition, market quality and utilization research between 1961 and 1985—504 projects; and

U.S. Forest Service research between 1961 and 1985—241 projects.

We expect this study to be completed by the end of August 1986 and will provide copies if you desire.

[CLERK'S NOTE.—The information is too lengthy to be reprinted in the record. A copy will be retained for the file.]

MIDDLE INCOME COUNTRY TRAINING

Mrs. SMITH. The Middle Income Country Training program is now in its third year. What has been the reaction to this program by recipient nations as well as U.S. interests?

Dr. WALLACE. Reactions to the Middle Income Country Training program—MIC—by recipient nations have been very favorable. Evaluations of the program by Drew University as well as OICD's Program Planning and Evaluation Division have shown that recipient country officials and their embassy representatives in Washington, D.C., support the training being done under auspices of the MIC program. All participating countries feel they are gaining enough from the program that they are even willing to share the costs; in FY 1986, all participants in the program will have their international air fares paid by their home organizations.

As for U.S. interests, agricultural commodity trade groups such as the American Soybean Association and the U.S. Feed Grains Council have been supporting the program by helping with the training and even sharing some of the program costs. This very positive reaction indicates the program supports U.S. trade goals in addition to helping other nations.

The U.S. agricultural attaches stationed overseas have also reported increased contacts with both government and private sector officials as a result of the MIC program.

Mrs. Smith. I think it is excellent that the U.S. trade interest groups and other nations are helping share the cost of this program so the appropriated funds go further. Can you tell us how much funding has been added to this program by these contributions? What percentage of the total program costs are now coming from these other sources?

Dr. Wallace. In FY 1985, approximately $100 thousand was added to the program by trade groups and other nations—an amount equal to about 7 percent of the appropriated funding. From a total program cost perspective, then, about 6.25 percent of the funding came from these outside sources.

Anticipated complementary funds for FY 1986 total $250 thousand or nearly 17 percent of the $1.5 million appropriated for MIC. If all of this additional funding materializes, it will mean that some 14.3 percent of the total program costs will be covered by funds other than the direct MIC appropriation.

Mrs. Smith. Mr. Chairman.

Mr. Whitten. Mr. Skeen.

MIDDLE INCOME COUNTRY TRAINING PROGRAM

Mr. Skeen. How many people have been trained through the Middle Income Training program so far? What countries have been involved?

Dr. Wallace. I will be pleased to submit that information for the record.

[The information follows:]

Fiscal Year	Number	Countries
1984	102	Ivory Coast, Korea, Turkey, Venezuela and Columbia.
1985	157	Algeria, Iraq, Ivory Coast, Korea, Mexico, Turkey, Venezuela and Yugoslavia.
1986 (estimate)	170–200	Same as FY 1985.

Mr. Skeen. As we train these people, are we creating competitors for our Americans producers? What, then, are the benefits for the U.S. or is this a oneway street favoring recipients?

Dr. Wallace. The legislation passed by Congress was designed to assure that such competition does not result. OICD was instructed to work closely with the USDA Foreign Agricultural Service, the State Department, and Congress to assure that major competitors or agricultural fields or disciplines were not selected.

Emphasis has been directed toward further developing U.S. overseas agricultural markets. The MIC program is, thus, combining essential development and trade components of mutual interest to the U.S. and recipient countries. Evaluation data show strong feelings about the long-range, indirect benefits accruing from the program in terms of building an appropriate climate for trade expansion. There have also been immediate sales of livestock, veterinary supplies, information, etc., because of the program; one company reported a $500 thousand sale of dairy cattle.

COLLABORATIVE RESEARCH

Mr. **Skeen**. I know New Mexico University has collaborated with you on a number of activities over the years. Could you please explain how you work with state institutions and how this and other OICD programs might provide direct support to U.S. institutions?

Dr. **Wallace**. USDA works closely with U.S. agricultural universities and the private sector in developing and implementing training programs for foreign agriculturists. USDA pays the universities for their services and otherwise supports these U.S. institutions by providing technicians for laboratory research. The trainees contribute to local economies as they live in an area and purchase housing, food, and services.

Other OICD programs provide other types of support to state universities. The Collaborative Research program, for example, has over the years provided grants to help state scientists collaborate on overseas research projects dealing with germplasm collection, control of exotic insect pests which present potential threats to U.S. crops, or other topics of interest to the U.S. and other nations. Similarly, state researchers have collaborated on overseas research projects through the Special Foreign Currency Program. State specialists serve as advisers to developing nations through our technical assistance efforts, on both short- and long-term assignments. Our Scientific and Technical Exchange program gives opportunities for state scientists to visit counterparts in other nations (or for other nations' scientists to work with state specialists here) to exchange data and methodologies on subjects of mutual interest.

In sum, almost all of the OICD's programs are implemented in close cooperation with others. This includes not only other USDA agencies, but the entire U.S. agricultural community, with universities playing a major role.

Mr. **Skeen**. What have been some of the major benefits to American agriculture from the Collaborative Research Program?

Dr. **Wallace**. Since the Collaborative Research Program was initiated in 1982, partial support has been provided to U.S. scientists as a catalyst for substantial long-term binational research on high priority areas of benefit to U.S. agriculture. I will provide that for the record.

[The information follows:]

Through studies of ancient Aztec and Mayan agroecosystems which have few soilborne diseases, U.S. scientists at Rutgers University and ARS have found that adding organic matter to the soil can increase microbiological activity and reduce damping-off, a costly fungus disease which wilts vegetable seedlings and cause crop losses.

Collaborative research by scientists at Texas A&M and two Mexican agricultural colleges resulted in the application of a prediction model which allows pecan growers to anticipate when the pecan nut casebearer, a key pest which can destroy as much as 90 percent of the crop, is likely to attack. Using this model the casebearer can be controlled with one well timed insecticide treatment, rather than the usual two or three. This not only reduces insecticide use, but is less harmful to beneficial insects which prey on other pecan pests.

University of Georgia scientists cooperated with German scientists on five different studies on hot processing techniques for pork carcasses. This effort resulted in the determination of optimal processing procedures which increase shelf life and reduce shrinkage of pork products.

This program has enabled OICD to respond to rapidly to urgent agricultural research needs concerning potential threats to American export and domestic markets, such as citrus canker, fruit flies, karnal bunt, and African swine fever. Other current high priority collaborative research projects benefitting American agriculture include: acid deposition on plants from air pollution in major crop producing areas; integrated pest management using cotton as a model; the varroa mite, a serious honey bee parasite; greenhouse vegetable production systems; control of late blight in potatoes.

New priority projects recently undertaken include research on marigolds as an alternative to tobacco crops in Virginia; aquaculture pond systems in Hawaii; the African witchweeds which plague corn crops in North and South Carolina; and in Missouri, the development of a DNA probe to detect Anaplasma, a major cattle disease.

U.S. scientists have been able to cooperate on research in sixteen countries to study on site serious endemic disease and pests and take advantage of foreign expertise and breakthroughs in agricultural research.

Argentina
Australia
Barbados
Brazil
Costa Rica
France
Guadeloupe
Haiti
Italy
Mexico
Netherlands
New Zealand
Phillipines
Romania
Sudan
W. German

Mr. SKEEN. Mr. Chairman.

Mr. WHITTEN. Dr. Wallace, thank you very much for your appearance this morning.

[The statements follow:]

Statement of Dr. Joan S. Wallace
Administrator, Office of International Cooperation and Development
Before the
House Subcommittee on Appropriations for Agriculture,
Rural Development and Related Agencies

Mr. Chairman, members of the Subcommittee, I appreciate this opportunity to discuss the program and budget of the Office of International Cooperation and Development.

In 1985, we saw greater awareness of the problems of agriculture than at any time in recent history. The financial distress of our nation's farmers became the topic of scores of newspaper articles, editorials, and speeches. Even greater attention focused on the failure of agriculture in Africa, as the media brought the raw horror of famine into the homes of millions of Americans.

Clearly, there has never been a greater need for innovative agricultural programs than there is today. While OICD is a small agency, we are in a unique position to be innovative and adaptive. And we are among the few agencies in USDA that can not only help America's farmers, but also work to lessen the hunger that still afflicts a half billion people all over the globe.

PROGRAM HIGHLIGHTS

Without taking a great deal of your time this afternoon, I would like to highlight a few of our accomplishments.

Last year,

- -- we managed training for over 2,400 foreign agriculturists,
- -- we sent 760 specialists to assist 87 countries,
- -- we conducted 116 scientific exchanges with 33 nations, and
- -- we sponsored 505 research projects involving 22 countries.

As you can see from these statistics, the range of our activities is extremely broad, far too broad to describe in detail here. But I would like to mention a few selected projects that illustrate the value of our programs to this nation's agriculture.

INTERNATIONAL RESEARCH

A number of our activities focus on putting new technology to work to support America's farmers. For example, in research under a cooperative U.S.-Israeli program, scientists are examining the use of solar technology to control soil-borne pests. The technique being studied is called solarization and involves the use of polyethylene sheets to cover the soil. This raises soil temperature in sunlight which then destroys a variety of soil-borne pathogens. Researchers feel that solarization shows considerable promise as an inexpensive addition to our arsenal in the fight against pests.

Research on citrus canker is another example of an OICD project benefiting the U.S. farmer. When a serious outbreak of citrus canker endangered the Florida citrus industry, the Federal government was forced to prohibit further field research on canker in this country. But our Binational Collaborative Research Program enabled U.S. scientists to continue study of this disease by working with scientists in Argentina, where citrus canker is endemic and field research has been going on for some time. We were able to forge ahead, looking for solutions to the canker problem when research might otherwise have been kept at a standstill.

Another one of our projects is improving early detection of fruitflies in U.S. fruit imports. Infested tropical fruit entering U.S. ports can be effectively quarantined, once fruitflies are identified. But port authorities must learn the technical skills needed to quickly identify these pests. Three cooperative projects between U.S. scientists and researchers in Costa Rica focus on rapid identification techniques.

We are also promoting research that can help our farmers find alternative crops. We recently set up a cooperative research program pairing scientists from Virginia Polytechnic Institute and Mexico in a study of the feasibility of growing marigolds in Virginia as an alternative cash crop in place of tobacco. U.S. poultry producers must now import the marigolds they use in poultry feed. This research could lead to a domestic source of supply.

In Yugoslavia, researchers working under our Special Foreign Currency Research Program have devised a skin test that detects listeriosis in livestock. Listeriosis, a bacterial disease which can be transmitted to humans via dairy products, killed more than 90 people and caused numerous miscarriages in California last year.

A follow-up study in Yugoslavia is investigating the pasteurization time and temperature needed to kill the listeria organism. This study is a joint effort of USDA, the Food and Drug Administration, and a Yugoslavian research institute. The survivability and growth of the organism in cheese is also being studied. It was contaminated cheese which caused last year's outbreak of listeriosis. Listeriosis is endemic to Yugoslavia and several Yugoslav scientists have been working with the organism all of their professional careers.

SCIENTIFIC EXCHANGES

In designing our scientific exchanges, we aim for practical projects that can be immediately useful to our agricultural producers. For example, the U.S. beekeeping industry is concerned about the impact that Africanized bees will have on crop pollination and future honey production. Last year we funded three scientific and technical exchanges with Mexico aimed at finding ways to monitor and control the spread of these bees and the mites they carry, and to help beekeepers deal more effectively with them once they arrive in the United States. We also sponsored a scientific symposium on Africanized bees in January and plan a follow-up workshop next year.

The spread of the Africanized bee is not only a source of concern to honey producers. Bees are the most important pollinator of alfalfa and other high-protein forages grown by Midwestern farmers. The parasitic mites carried into the U.S. by the Africanized bees threaten U.S. bee populations and this could significantly reduce the pollination of forages and their yields. To help counter this threat, we have just funded a project in Mexico to study exactly how Africanized bees and their parasites affect non-Africanized bee populations and bee pollination efficiency, and to find ways to minimize their negative impact on forage crop production.

Our exchange program with West Germany has brought new insights into the serious problem of acid rain damage to forests. U.S. and German scientists have realized that "acid" precipitation is only one component of the problem. There are many different types of pollutants besides acids causing damage to our forests.

Partly as a result of scientific exchanges with the West Germans, the U.S. scientific community has now broadened the focus of its studies from "acid" deposition to "atmospheric" deposition. This has saved the U.S. Forest Service research time and accelerated its research program by two or three years.

Two of the most interesting developments for us this year were the resumption of scientific and technical exchanges with the Soviet Union and China. A Protocol to resume activities under the U.S.-USSR Agreement on Cooperation in the Field of Agriculture was signed in June 1985 and provides for the exchange of ten U.S. and nine Soviet teams. Team exchanges with China will resume after the Joint Working Group meets in China in April. In the past, these exchanges have provided valuable information on agricultural output in these two countries and have acted as vehicles for resolving technical trade problems and improving overall trade relationships.

IMPACT OF GRAMM-RUDMAN-HOLLINGS ACT

Before I turn to the fiscal year 1987 budget, I would like to mention the impact of the Gramm-Rudman-Hollings Act in fiscal year 1986. Our appropriated account has been cut by $232 thousand and our Special Foreign Currency account by

$128 thousand. These reductions will be achieved by curtailing travel, training, procurement, research, research grants, and other non-salary operating expenses. We will not have to furlough employees or run a reduction-in-force.

FISCAL YEAR 1987 BUDGET

During fiscal year 1987, our budget request provides for continuation of the scientific and technical exchange program, the technical assistance and training programs, and the country financed programs at approximately the same level as fiscal year 1986. You will remember that we receive funding for our technical assistance and training programs from outside sources, principally the Agency for International Development, the Food and Agriculture Organization of the U.N., and the World Bank. Our fiscal year 1987 request also proposes a number of reductions, primarily in our research programs. The following programs and funds have been reduced and/or eliminated: (1) The Special Foreign Currency Program, $3 million; (2) the Binational Collaborative Research Program, $590 thousand; (3) the Middle Income Country Training Program, $1.5 million; and (4) the Agriculture Information Center, $200 thousand. We will, however, continue to carry out previous commitments in the special foreign currency and middle income country training programs. In addition, the International Organization Affairs function is reduced by $30 thousand. These reductions reflect our commitment to comply with the President's plan to meet established deficit reduction targets.

This concludes my statement Mr. Chairman. Now I will be happy to answer any questions at this time. However, I would like an addendum inserted into the record dealing with how development programs support U.S. agricultural trade.

ADDENDUM

THE AMERICAN FARMER'S STAKE IN THE THIRD WORLD

Particularly in times of economic difficulty, there are those who question foreign assistance programs saying that we are only creating economic competition for ourselves.

The economic vitality of developing countries is extremely important to American farmers. While our export sales in recent years have slipped due to the high value of the dollar and subsidized exports by our competitors, it's critical to note that developing country markets still constitute a very high and growing percentage of our sales. For fiscal year 1985, these sales were around $13.2 billion -- roughly 42 percent of all our agricultural exports.

This pattern in U.S. farm exports is likely to continue in the future. For one thing, it's a matter of demographics. More than 3 out of 4 people already live in developing countries and that proportion will increase to more than 4 out of 5 by the year 2000. While Third World population continues to rise, the more traditional markets for U.S. agricultural exports -- Western Europe and Japan -- are experiencing little if any population growth. The population of Western Europe is not expected to rise at all between now and the year 2000. Japan's population is expected to grow by only 7 million.

Our traditional markets have already begun to stagnate or shrink. U.S. agricultural sales to the European Community dropped by nearly half between 1980 and 1985, while sales to Japan remained essentially flat. So it is clear that this Nation's farmers and agribusinesses have to look to the developing world for future export growth.

But what about the argument that we are creating competition for ourselves by helping developing countries to solve their agricultural problems? Well, for one thing, poor people make poor customers. The economic health of the Third World is critical for our own economic health. If these nations cannot produce and market their own agricultural and industrial products, they certainly will not be in a position to buy ours.

What all this boils down to is that it is not just humanitarian for the United States to invest in assisting and cooperating with other nations in agriculture. It is also good business. In the long run, we will have the satisfaction of knowing that we are helping our own farmers and strengthening our own agriculture, as we fight to overcome the hunger and poverty that still scar so much of the world.

BIOGRAPHICAL SKETCH

HOWARD S. MARKS

Since June 1985, Howard S. Marks has been Associate Administrator of the Office of International Cooperation and Development (OICD) at the United States Department of Agriculture. In that capacity, he has been named vice-chairman of the Agricultural component of the U.S.-Algerian Joint Economic Commission which met in Algiers in mid-February 1986. He also headed the U.S. delegation to meetings between Egyptian and Israeli scientists in a project managed by OICD for the U.S. Agency for International Development in January 1986.

From 1975 to 1984, Mr. Marks was a senior advisor to United States Senator Charles H. Percy, Chairman of the Senate Foreign Relations Committee, where he worked on such agricultural projects as:

- o Passage of a Senate Resolution urging the Administration to negotiate the 1983 Long-Term Agricultural Agreement with the Soviet Union;
- o Coordinating a Congressional response to the European Community's threats to reduce access for U.S. animal feeds, such as Corn Gluten;
- o Defeating acceptance of a report by the Council of the General Agreement on Tariffs and Trade (GATT) which would have damaged U.S. soybean exports to Western Europe.
- o Building support for new uses of surplus commodities, such as fuel ethanol. In that capacity, Mr. Marks has worked closely with the National Corn Growers and Corn Refiners Association. In 1982, President Reagan publicly signed legislation drafted by Mr. Marks to facilitate the conversion of surplus government stocks to fuel ethanol.
- o Helped develop support for exports of value-added processed foods.

Mr. Marks is a native of Illinois and holds a bachelors degree from the University of Illinois in Chicago and a masters degree from Northwestern University. He has been listed in "Who's Who in Washington."

Mr. Marks is married and the father of two children.

BIOGRAPHICAL SKETCH

DR. JAMES L. WALKER

Dr. James L. Walker was appointed Assistant Administrator for International Research and Development on December 23, 1985. Dr. Walker manages the Office of International Cooperation and Development's worldwide agricultural activities in technical assistance, training, and research.

Dr. Walker formerly worked for the Office of Agriculture, Science and Technology Bureau, Agency for International Development (AID) as the Principal Agricultural Scientist and as Research Coordinator for the Agency's centrally-funded agricultural programs worldwide.

Dr. Walker, 53, has over 24 years experience in agricultural development in 45 foreign countries, and research and production experience with more than 20 crops and cropping systems in the tropics and subtropics. He designed and implemented several long-term, worldwide, multi-million dollar AID-funded agricultural biotechnology research projects.

Dr. Walker received the PH.D. degree in agronomy and soil science with a minor in geology (volcanology) at the University of Hawaii in 1962 after completing a B.S. in tropical crop production at U.H. and majoring in political science at the University of California at Santa Barbara. Since graduating from the University of Hawaii, he has worked extensively in tropical and subtropical research and development as a Research Soil Scientist with USDA/SCS; Associate Professor of Soil Science with North Carolina State University at Raleigh; Resident Scientist with the Tropical Agricultural Research and Training Center (CATIE/IICA) at Turrialba, Costa Rica; Technical Advisor to the Ministries of Agriculture of Central America and Panama; Consultant to international funding institutions; Professor of Agronomy at the University of Hawaii and, as a GS-16 Agricultural Research Networks Specialist with AID.

Dr. Walker is an American Society of Agronomy, ARCPACS nationally Certified Professional Agronomist and Certified Professional Soil Scientist. He is a member of Sigma XI, the Soil Science Society of America, the Crop Science Society of America, the International Soil Science Society, the Hawaiian Academy of Science, the Guatemalan Historical Society, MENSA, Sigma Phi Epsilon, and Rotary International. He is fluent in Spanish and German, and has authored or coauthored over 100 scientific publications in both English and Spanish on tropical agricultural subjects.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Purpose Statement

The Office of International Cooperation and Development (OICD) was established by Secretary's Memorandum No. 1947, dated May 1, 1978. Secretary's Memorandum No. 1998, dated October 26, 1979, expanded the functions of OICD to include international cooperative research. Administrative support functions were transferred to OICD from FAS pursuant to an incidental transfer agreement effective June 27, 1982.

The mission of OICD is to promote U.S. agriculture and to advance the agriculture of developing countries as parts of a complementary global agricultural system capable of providing ample food and fiber for all people. To accomplish this mission, OICD applies USDA policies and U.S. agricultural perspectives in its programs of international agricultural cooperation and development, and in its work with foreign countries, international organizations, U.S. universities and other institutions, agencies of the U.S. Government, and the U.S. private sector.

OICD directs AID and country-funded international training and technical assistance; manages USDA's international scientific exchange and research programs; facilitates USDA's collaboration with the university community in international scientific cooperation programs; and participates in the formulation and evaluation of food aid development projects (PL-480, Titles I and III).

OICD is the lead agency in the planning and review of international agricultural development policy and the formulation and review of agricultural assistance efforts. It is responsible for Departmental representation to national and international organizations responsible for food and agriculture in international development and facilitates their access of U.S. scientific and institutional resources.

OICD's program objectives are:

(1) to insure that American agricultural interests related to global food security and international agricultural development are considered in the policy processes of the U.S. Government and the international organizations;

(2) to provide efficient and creative use of resources available in USDA, the universities, agribusiness and international organizations, in the implementation of international agricultural development and cooperative programs;

(3) to assure that U.S. commodity groups, producers and agribusiness benefit from research and other activities that may result from cooperative agreements with other countries;

(4) to initiate cooperative efforts with other countries and international organizations that lead to the sound management of natural resources;

(5) to improve agricultural production and related capabilities of the developing countries by enlisting the resources of government, universities and agribusiness in technical assistance, training and scientific cooperation programs.

OICD maintains its headquarters in the Washington, D.C. metropolitan area. As of September 30, 1985 there were 191 permanent, full-time employees (168 in headquarters and 23 on resident assignment overseas), and 45 other (31 in headquarters and 14 field locations).

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Available Funds And Staff-Years

1985 Actual and Estimated, 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses	$5,015,000	57	$5,363,000	58	$3,051,000	52
Scientific Activities Overseas (Foreign Currency Research)	5,000,000	9	2,982,000	5	--	4
Obligations under other USDA appropriations: Office of the Secretary for Advisory Committee	14,525	-	14,000	-	16,000	-
Total, Agricultural Appropriations	10,029,525	66	8,359,000	63	3,067,000	56
Other Federal Funds: Agency for International Development for training, subsistence, and tuition of foreign nationals and technical assistance and analyses to aid foreign development	37,784,079	136	35,879,000	132	36,801,000	128
Non-Federal Funds: Miscellaneous contributed funds for USDA development assistance and international research projects from Spain, Saudi Arabia and other developing countries	4,788,662	20	3,257,000	20	3,352,000	20
Total, Office of International Cooperation and Development	52,602,266	222	47,495,000	215	43,220,000	204

Full-Time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling	200	190	179
Non-ceiling	22	25	25
Total	222	215	204

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Permanent Positions by Grade and Staff-Year Summary

1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	--	--	--	1	--	1	1	--	1
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	10	1	11	10	1	11	10	1	11
GS/GM-14	26	--	26	26	--	26	26	--	26
GS/GM-13	34	--	34	34	--	34	33	--	33
GS-12	23	--	23	23	--	23	21	--	21
GS-11	12	--	12	12	--	12	11	--	11
GS-9	12	--	12	12	--	12	10	--	10
GS-8	9	--	9	9	--	9	9	--	9
GS-7	24	--	24	24	--	24	22	--	22
GS-6	20	--	20	20	--	20	20	--	20
GS-5	21	--	21	21	--	21	19	--	19
GS-4	6	--	6	6	--	6	6	--	6
GS-3	4	--	4	4	--	4	4	--	4
GS-2	--	--	--	--	--	--	--	--	--
Other Graded Positions	--	25	25	--	21	21	--	20	20
Total Permanent Positions	203	26	229	204	22	226	194	21	215
Staff-Years:									
Ceiling	177	23	200	171	19	190	161	18	179
Non-Ceiling	10	12	22	13	12	25	13	12	25
TOTAL	187	35	222	184	31	215	174	30	204

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987

	1985	1986	1987
Personnel Compensation:			
Headquarters	$ 1,353,873	$ 1,531,342	$ 1,248,512
Field	71,033	81,658	77,488
11 Total personnel compensation	1,424,906	1,613,000	1,326,000
12 Personnel Benefits ...	167,397	181,000	149,000
Total Pers. Comp & Benefits	1,592,303	1,794,000	1,475,000
Other Objects:			
21 Travel	1,078,202	975,000	723,000
22 Transportation of things	29,513	35,000	62,000
23.2 Rental payments to others	7,600	10,000	10,000
23.3 Communications, utilities and other rent	93,365	116,000	110,000
24 Printing and reproduction	10,484	29,000	24,000
25 Other services	2,960,284	2,379,000	981,000
26 Supplies and materials	34,897	40,000	30,000
31 Equipment	57,517	90,000	40,000
41 Research Grants	5,373,832	2,877,000	30,000
Total other objects	9,645,694	6,551,000	2,010,000
Total direct obligations..	11,237,997	8,345,000	3,485,000

Position Data:

	1985	1986	1987
Average Salary, ES positions	$ 66,798	$ 68,032	$ 68,032
Average Salary, GS positions	$ 22,219	$ 22,885	$ 22,588
Average Grade, GS positions	7.76	7.76	7.70

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

> For necessary expenses of the Office of International Cooperation and Development to coordinate, plan, and direct activities involving international development, technical assistance and training, and international scientific and technical cooperation in the Department of Agriculture, including those authorized by the Food and Agriculture Act of 1977 (7 U.S.C. 3291),[$5,384,000] $3,051,000; and the Office may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1736) and the foreign assistance programs of the International Development Cooperation Administration (22 U.S.C. 2392). (7 U.S.C. 427, 450a, 450b, 1624, 1709, 1727, 1736, 1761, 2201, 2202.)

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Appropriation Act, 1986	$5,417,000
Budget Estimate, 1987	3,051,000
Decrease in Appropriation	-2,366,000

Adjustments in 1986		
Appropriations Act, 1986	$5,417,000	
Less Pro-Rata Reduction, P.L. 99-190	-33,000	
Net Appropriations	5,384,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimburseable Activities a/	-21,000	
Adjusted base for 1986		5,363,000
Budget Estimate, 1987		3,051,000
Decrease over adjusted 1986		-2,312,000

a/ A transfer of $8,000 to Departmental Administration and $13,000 to the Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
International Scientific and Technical Cooperation	$3,449,000	- $620,000	$2,829,000
International Agricultural Development	1,914,000	-1,692,000	222,000
Total Available	5,363,000	-2,312,000	3,051,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual Amount	1985 Actual Staff Years	1986 Estimated Amount	1986 Estimated Staff Years	Increase or Decrease	1987 Estimated Amount	1987 Estimated Staff Years
1. International Scientific and Technical Cooperation:							
(a) Scientific exchanges	$1,223,115	17	$1,362,000	17	--	$1,362,000	17
(b) Administration of International Research	1,585,933	23	1,590,000	23	-$590,000	1,000,000	21
(c) USDA liaison with international organizations	470,753	13	497,000	13	-30,000	467,000	13
Total, international scientific and technical cooperation	3,279,801	53	3,449,000	53	-620,000	2,829,000	51

Project	1985 Actual		1986 Estimated		Increase or Decrease	1987 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
2. International agricultural development:							
(a) Development Planning and Analysis....	203,084	1	422,000	3	-200,000	222,000	1
(b) Middle Income Country Training....	1,492,000	3	1,492,000	2	-1,492,000	--	--
Total, International agricultural development..........	1,695,084	4	1,914,000	5	-1,692,000	222,000	1
Unobligated balance.	40,115	--	--	--	--	--	--
Total, available or estimate..........	5,015,000	57	5,363,000	58	(1) -2,312,000	3,051,000	52
Transfer to Departmental Administration and Office of Governmental and Public Affairs	+23,000	--	+21,000				
Total, appropriation	5,038,000	--	5,384,000				

EXPLANATION OF PROGRAM

The appropriation for the Office of International Cooperation and Development (OICD) is used to develop, implement and evaluate USDA's policies and programs related to agricultural cooperation and development throughout the world. OICD's responsibilities include activities conducted by the Scientific and Technical Exchange Division, the International Research Division, the International Organization Affairs Division, and Development Planning and Analysis activities.

The Scientific and Technical Exchange Division directs USDA's scientific and technical exchange programs with foreign governments, research institutions and scientists, as authorized by Section 1436 of the Agriculture and Food Act of 1981. The primary objective of the exchanges is to strengthen the role of science and technology in the ongoing effort to stabilize world food supplies and to increase the efficiency with which world resources are utilized. The Division coordinates activities developed under existing and new bilateral agreements with foreign countries on behalf of USDA and provides the necessary administrative support. This program represents an innovative, cost-sharing approach to the exchange of scientific and technical information useful to the U.S. agricultural community and to foreign countries.

The International Research Division coordinates the Department's international agricultural research activities carried out in cooperation with various USDA agencies, U.S. colleges of agriculture and foreign research institutions. These collaborative research efforts yield valuable information which results in better protection of U.S. agriculture from foreign pests and diseases and increases domestic agricultural productivity. At the same time, the application of new information reduces the threat of hunger and malnutrition overseas.

Research projects are conducted under a variety of binational agreements and funding mechanisms. As authorized by Section 104(b)(1) and 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended, OICD administers the Foreign Currency Research Program through which foreign scientists conduct research of direct benefit to U.S. agriculture using U.S.-owned foreign currencies. It is responsible for the administration and coordination of research programs under the Treaty of Friendship and Cooperation with Spain and the research activities supported by the U.S.-Israel Binational Agriculture Research and Development Fund (BARD). Under Section 1436 of the Agriculture and Food Act of 1981, OICD fosters increased participation of U.S. land-grant colleges in agricultural research activities abroad.

The International Organization Affairs Division coordinates USDA's and the U.S. Government's participation in approximately 30 international organizations concerned with food, agriculture and rural development. The Division represents USDA in the organizations' policy and program planning, advances U.S. interests and protects U.S. agriculture. In addition, the Division organizes U.S. delegations to international conferences on agriculture and arranges the placement of approximately 60 agriculturists each year on short- and long-term assignments with international organizations.

Development Planning and Analysis activities involve the analysis of agricultural policy issues as they relate to USDA involvement in agricultural cooperation and development programs. This includes the formulation, review, and evaluation of P.L. 480 Title I/III self-help and Food for Development proposals, the coordination of the International Science and Education Council's involvement in international development efforts, and the coordination of the President's Cancun and Caribbean Basin Initiatives. In addition, the Agriculture Information Center provides a central point of contact for responding to inquiries from the U.S. private sector and developing countries on trade and investment opportunities.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $2,312,000 for OICD activities consisting of:

(a) A decrease of $590,000 for administration of international research. ($1,590,000 available in FY 1986.)

Need for Change. The International Research Division (IRD) administers and coordinates international agricultural research and promotes scientific cooperation among USDA and Federal agencies, U.S. colleges and universities, and foreign research institutions. IRD presently administers 349 research grants worth $35 million. The grants run for three to five years. There are 27 projects worth $1.5 million under the Binational Collaborative Research Program. This program will be eliminated in fiscal year 1987 as part of the President's plan to meet established deficit reduction targets.

Nature of Change. No new research grants will be initiated under the Binational Collaborative Research Program. Existing grants will be administered until completion. New projects funded from other sources will continue.

(b) A decrease of $30,000 for USDA liaison with international organizations. ($497,000 available in FY 1986.)

Need for Change. The International Organization Affairs Division is the leader and coordinator of USDA's involvement with over 30 international organizations concerned with food, agriculture, and rural development. These include the World Food Council, the World Food Program, the Food and Agriculture Organization of the United Nations, the Inter-American Institute for Cooperation on Agriculture, and the Organization for Economic Cooperation and Development. The Division is also involved in formulating Departmental policies on activities of the World Bank, the International Fund for Agricultural Development, the UN Committee on Trade and Development, and other international development institutions. This funding level is sufficient to provide essential services.

Nature of Change. The budget reduction will be achieved through management efficiencies and a reduction in travel expenses.

(c) A decrease of $200,000 for the Agriculture Information Center. ($200,000 available in FY 1986.)

Need for Change. The Agriculture Information Center is managed by the Private Sector Relations Staff. The Center was established in FY 1986 to disseminate agriculture information oriented to the private sector for their use in expanding foreign markets and investment opportunities. This includes information on marketing, technical assistance, research, management, and other special training, as well as on business opportunities in developing countries. This decrease is made in order to comply with deficit reduction targets as established by the Balanced Budget and Emergency Deficit Control Act of 1985.

Nature of Change. The Center will be closed by the start of FY 1987.

(d) A decrease of $1,492,000 for the Middle Income Country Training Program. ($1,492,000 available in FY 1986.)

Need for Change. $1,492,000 was appropriated in FY 1986 to provide training to participants from selected Middle Income Countries. These funds, while committed in FY 1986, will be expended over the approximate 2 1/2 year life of the program and are sufficient to enable present enrollees to complete their programs.

Nature of Change. Approximately 175 participants selected in FY 1986 will receive short term technical and/or long term academic training over a 2 1/2 year period. No new participants will be selected for training in FY 1987.

Office of International Cooperation and Development
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1985		1986		1987	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia......	$4,974,885	57	$5,363,000	58	$3,051,000	52
Total Available or Estimate	$4,974,885	57	$5,363,000	58	$3,051,000	52

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

STATUS OF PROGRAM

I. INTERNATIONAL SCIENTIFIC AND TECHNICAL COOPERATION

One of OICD's primary goals is to strengthen the role of science and technology in the effort to stabilize world food supplies and to increase the efficiency with which agricultural resources are used. OICD promotes cooperation in areas of mutual interest and establishes scientific exchange activities between U.S. and foreign research institutions and scientists. Scientific and technical exchange activities are designed to support the interests of U.S. agriculture and agribusiness.

Cooperative research projects established with OICD's assistance directly benefit U.S. agriculture. Research projects help scientists to protect U.S. agriculture from foreign pests and diseases and to increase agricultural efficiency through knowledge gained abroad. Joint research projects overseas frequently result in the purchase of seed, breeding stock, and agricultural equipment from the United States.

In addition to its central role in coordinating scientific exchange and research activities on behalf of USDA, OICD also coordinates U.S. participation in international organizations concerned with food, agriculture and rural development.

A. Scientific and Technical Exchanges

Current Activities

OICD is responsible for managing the Department's exchange programs with foreign governments and institutions. Priorities and criteria for these exchanges, developed in collaboration with USDA scientific agencies, are based on such issues as domestic research priorities, potential benefits to U.S. agricultural production, and the availability of desired technologies.

Programs generated with participating countries are negotiated on the basis of these criteria and mutual interest of both parties. Activities are undertaken on a cost-sharing basis with participating countries, universities, and cooperators who contribute approximately three dollars for every dollar spent by OICD.

The objective of the exchanges is to expand the role of science and technology by transcending national constraints through shared mutual competencies and comparative advantage. Activities generated range from exploratory research to direct requests for technology transfer. These exchanges seek to gain new knowledge, facilitate the entry of the private sector and institutions into bilateral activities, address strategic commodity and environmental concerns, utilize science and technology more aggressively in market promotion, facilitate the collection of foreign germ plasm, and collect statistical information. During FY 1985, a total of 116 exchanges involving 267 U.S. and foreign scientists were carried out in 33 countries under bilateral agreements. During FY 1985, new *ad hoc* exchanges were implemented with South Korea, the Ivory Coast and the Scandinavian countries.

Selected Examples of Recent Progress

--U.S. Soviet Cooperation in Agriculture

The U.S - U.S.S.R. Agreement on Cooperation in Agriculture, which has been in existence since 1973 but dormant since 1979, was reactivated in Moscow, in June

1985. At that time, during the vice-ministerial level Joint Committee meeting, the Soviets agreed to host ten U.S. scientific teams. Four have already taken place: Spring Wheat Production, Cotton Production and Utilization, Plant Quarantine and Animal Infectious Disease Control. Resuming the exchange agreement provides U.S. agriculture with increased access to valuable biological materials (e.g. crop and forest germplasm and bio-control agents), technical and economic information and market development opportunities (e.g. a feed manufacturing seminar). The United States agreed to host nine Soviet scientific teams. The first visit is scheduled for January 1986.

In August 1985, Secretary Block and Minister Mesyats, signed a protocol to resume exchanging young agricultural specialists. USDA will participate with the National 4-H Council in providing the program's leadership. Approximately 15 participants from each country will study at host-country universities and work farms while living with host families. The National 4-H Council and USDA are currently seeking private funding. The first exchange is anticipated in summer, 1986.

-- Eastern Europe Soil Conservation

During FY 1985, OICD and the Soil Conservation Service initiated several exchanges with East Europe, a region which has provided leadership in soil science research since the beginning of the century. One program of particular interest to our scientists is the automated soil conservation data system in Bulgaria which covers 100% of that country's agricultural area. In 1986 a U.S. - Hungarian soil conservation roundtable will be held in Budapest as a direct result of the initial exchanges.

-- Ivory Coast: Insect Pest Detection

A U.S. team of three entomologists visited the Ivory Coast to develop pheromone-based survey technologies for the detection of four exotic insect pests which attack a wide variety of cash and food crops. Past introductions of such pests into the United States have caused severe problems such as quarantines, changes in pesticide use, and large expenditures on eradication programs. USDA/APHIS has recently undertaken a national exotic pest detection program in which information obtained in the Ivory Coast and elsewhere is directly utilized.

-- Venezuela- U.S. Agricultural Commission

During FY 1985, OICD worked closely with the U.S. Embassy in Caracas to integrate agricultural cooperative efforts with Venezuela. Principal programs included: 1) the Venezuela-United States Agricultural Commission which convened twice to follow-up on recommendations to the 1982 U.S. Presidential Agricultural Task Force to Venezuela, 2) the bilateral scientific and technical exchange program, and 3) the USDA scholarship program for advanced agricultural training for selected middle income countries. Such integration of programs has strengthened our bilateral cooperation with an important hemispheric ally and trading partner. At the same time, it has given the United States the opportunity to learn more about animal diseases and soil erosion under special climatic conditions, promotes use of genetically superior U.S. dairy cattle, and may provide opportunities for profitable joint ventures in industries such as fish processing.

-- Mexico: Africanized Bees

In FY 1985, OICD funded two scientific and technical exchanges with Mexico to identify and control the advance of the Africanized bee. These cooperative activities were taken in direct response to concerns raised by U.S. bee scientists and industry representatives over the impact of Africanized bees on pollination efficiency and the need to establish a baseline to monitor the arrival, dispersion and impact of the Africanized bees. Information obtained will be used to address major potential problems for beekeepers and the public including: 1) excessive swarming of Africanized bees, which reduces honey production; 2) the agressive behavior of the bees, which endangers human and domestic animals; and 3) absconding or abandoning of hives.

-- West Germany: Acid Rain

U.S. and German researchers exchanged visits to work on multiple aspects of the effects of acid rain on forests -- an area of current environmental policy interest to the public in both countries. The U.S. Forest Service and the German Forest Service have similar research programs, but with different strengths. The results from a 4-year German national forest survey have documented effects of acid deposition in more detail than is available in the United States, while U.S. research has concentrated on studying the photo-oxidant component of air pollution. Exchanges during FY 1985 have aided researchers in determining that acid rain is only one factor causing forest damage in Germany, which is more severe than in the United States. This finding alone, and the consequent widening of U.S. research has already saved the U.S. Forest Service an estimated $200,000 in research time. OICD also sponsored reciprocal visits on the effect of acid deposition on food crops. Cooperation in this area is in its initial stages, but the potential for mutual benefit appears great.

-- France: Remote Sensing

Cooperation continued with France on remote sensing during FY 1985. The French earth observation satellite, SPOT is scheduled for launch in January 1986. A U.S. visit by French scientists during FY 1985 developed an interface with USDA's Statistical Reporting Service so that SPOT data will be easily accessible to U.S. users. Collaboration with the Agricultural Research Service focused on possible future uses of SPOT for new spectral types of remote sensing, such as microwave and thermal studies. The French satellite has resolution 3 times greater than the current U.S. satellite used for crop mapping, and can be "pointed" to record several angles of the same site. Since these features make it potentially useful in managing forests, a Forest Service scientist visited France to explore the satellite's capabilities in determing height and density of tree stands in the western states. By cooperating with their French counterparts, USDA officials have been able to advance many aspects of the U.S. remote sensing program, while avoiding the tremendous costs associated with new satellite development.

-- China Exchanges Resume

In a May 1985 meeting with Ambassador Han Xu, Secretary Block announced the decision to resume agricultural exchanges under the US-PRC Agreement on Cooperation in Science and Technology. The exchange program, initiated in 1978, has sponsored numerous cooperative programs including the study of biological control of pests, forest genetics and tree improvement, soybean and citrus germplasm exchange, and land and water management. More than 450 U.S. and Chinese scientists have participated in the program. Following a review of the exchange prgram's objectives, limited activity has resumed including the September 1985 visit to China by an ARS entomologist. He initiated work on a symposium on biological control of insect pests to be held in China in the Fall of 1986. The US-PRC Agricultural Joint Working Group meeting will be held in Beijing in April 1986 to reach agreement on future exchange activities.

--International Symposium of Forage and Livestock Interface

As its first effort to support an international scientific symposium involving several countries, OICD/STE co-sponsored a special session of forage/livestock interface at the Fifteenth International Grasslands Congress held in September 1985 in Kyoto, Japan. The special session was attended by scientists from the United States, United Kingdom, Argentina, Australia, New Zealand and Japan. The special session provided the opportunity to discuss an important interdisciplinary subject and also enabled greater coordination of ongoing research. Proceedings of the session will be published in mid-1986 and will serve as a global bench mark for judging future progress in this area.

B. International Cooperative Research

Current Activities

OICD manages a system of cooperative and collaborative research with U.S. colleges of agriculture, foreign research institutions, and other USDA agencies such as the Forest Service (FS), Economic Research Service (ERS), and Agricultural Research Service (ARS). OICD serves as the focal point for USDA's foreign agricultural research programs, reviewing proposals submitted by foreign scientists, securing the most qualified U.S. scientists available for project collaboration and guidance, and administering bilateral and multinational research programs.

1. Binational Collaborative Research

Current Activities

OICD encourages the participation of U.S. colleges and universities in international research activities. Collaborative research between U.S. universities and foreign counterpart institutions presents excellent opportunities for the United States to undertake scientific and technical research projects of mutual benefit. Active projects are underway in USDA laboratories, American agricultural universities, and institutions in Mexico, Brazil, Peru, Haiti, Guadeloupe, Australia, New Zealand, the Netherlands, Italy, France, and West Germany. Mutually beneficial research strengthens U.S. university capability and expertise and solidifies the USDA/university partnership in addressing research needs.

Selected Examples of Recent Progress

--Biological Control of Plant Pests

A research project in collaboration with scientists in the Netherlands is studying the behavior of Cotesia marginiventris, a parasitic wasp that attacks and deposits eggs in the larval stages of several moth pests, including the corn earworm, the cabbage looper, and the fall armyworm. Preliminary results show that the wasp locates her hosts by following odor trails emitted by host larvae feeding on plant material. Ultimately, knowledge from this study may lead to the use of this parasitic wasp for effective pest control.

--Cooperative Research Enables Study of Behavior of African Witchweed in Native Grassland Habitats of Sudan, Senegal and Botswana

African Witchweed, an introduced weed pest of corn, has become a serious problem for corn growers in North and South Carolina. According to informed sources, African witchweed causes more crop damage than any other plant pest. Through a cooperative research agreement, Old Dominion University, Virginia, is studying the parasitic weed pest in collaboration with scientists in the Sudan, Senegal and Botswana. More research is needed on the behavior of witchweed in its native grassland habitats. Because importation of witchweed for research purposes is prohibited, this project provides U. S. scientists an opportunity to study this crop menace in its native habitat.

--Citrus Disease Research

Exocortis, a disease of citrus trees that causes bark scaling and dwarfing of trees, is under study by the University of California in Riverside and the Department of Plant Protection in Valencia, Spain. U.S. scientists report good progress toward clarification of causal agents of various forms of the disease. During the second year of this 5-year project, the investigators will further define the several viroid-like causal agents of exocortis, and study the extent of dwarfing and bark scaling induced by viroids in pure form and in various combinations.

--Cooperative Research Project Develops Information on Spain's Livestock Feedgrain Sector

USDA's Economic Research Service (ERS) is conducting an economic study of the Livestock feedgrains sector in Spain. ERS has given this project priority attention because it complements ERS needs for research on trade competition and trade liberalization.

3. U.S.- Israel Binational Agricultural Research and Development Fund (BARD)-Current activities

To address agricultural problems of mutual concern by fostering interdependent, cooperative research projects, the U.S.-Israel Binational Agricultural Research and Development Fund (BARD) was established in October 1977 by the Governments of the United States and Israel. BARD supports agricultural research and development consistent with the highest priorities of both countries through an $110 million endowment fund. The interest earned by this endowment provides BARD with the income to support cooperative research projects and to administer a grant program. Since its inception, BARD has approved 329 projects for which it has awarded grants to American and Israeli institutions in the amount of $55.3 million. BARD is in the process of initiating a new postdoctoral fellowship program. Fellows may be either Israeli or American citizens. BARD will make up to 10 postdoctoral fellowships available each year.

A review of BARD operations and accomplishments was completed in 1985. Fifty-four final reports were evaluated by peer scientists. Among the rating criteria were achievement of objectives, scientific contributions, and contributions to agriculture. The evaluations showed substantial contributions to science and agriculture being made by BARD-supported research.

Selected Examples of Recent Progress

--Wild Lentil Germplasm

One hundred and twelve accessions of wild species of lentil were collected, catalogued and made available to other researchers. The presence of useful genetic variability for winterhardiness was identified. Both wild and cultivated species were found to be part of one large genepool. Thus, the entire range of genetic variability can be utilized.

--Marigolds Could Become Important Crop for U.S. Farmer

The Department of Agriculture is supporting a cooperative agreement totaling about 10 million dollars between Virginia State University scientists and scientists at the Instituto Tecnologico Y de Estudios Superiores de Monterrey in Mexico. These scientists are conducting research on the feasibility of growing African marigolds with the intent of reducing plant-parasitic nematodes in soybean cropland in Virginia. It is believed that by using marigolds as a rotation crop for soybeans, the occurrence of nematodes, which cause significant losses to the soybean crop, will be reduced. They are also looking at the possibility of growing marigolds (as an alternative cash crop for land currently used to grow tobacco) for a supplement in poultry feed to enhance the color of egg yolks and poultry meat.

2. U.S.- Spain Agricultural Research

Current Activities

The 1983 U.S.-Spain Agreement on Friendship, Defense and Cooperation authorizes and funds a 5-year program of scientific and technological cooperation in agriculture, health, natural resources, and other fields. The U.S.-Spain Joint Committee that oversees the programs supports joint research projects, visiting scientist awards, and workshops based on common objectives for the benefit of Spain and the United States. Thus far, the U.S.-Spain Joint Committee has approved 27 research projects in agriculture with a total value of approximately $5 million.

Selected Examples of Recent Progress

--Forest Fire Prevention

U.S. scientists from Bend, Oregon and from Riverside, California, and their Spanish counterparts have completed research plans for their collaborative study of forest fire prevention. Plans call for field sampling in the United States and Spain and the study of several combinations of treatments including thinning, prescribed burning, seedling selection, fertilization, and grazing -- all intended to reduce forest fires. The project objectives are to diminish the risk of wildfire by reducing understory fuel in the forest and to promote the growth of vegetation suitable for grazing by livestock.

--African Swine Fever

A U.S.-Spain Joint Seminar on African Swine Fever was held recently in Spain. This seminar, funded under the U.S.-Spain Agricultural Research Program brought together the experts of Spain and the United States for a state-of-the-art review of the most serious livestock disease problem on the Iberian Peninsula. African Swine fever, according to the USDA Animal and Plant Health Inspection Service, is the greatest foreign disease threat to pork-production profitability in the United States.

--Solar Heating of Soils

Applicability and knowledge of the biological and physical effects of solarization--solar heating of soils by covering with transparent polyethylene and thereby increasing temperature -- was greatly increased. Effectiveness of solarization against many soil-borne pathogens other than Verticillium was demonstrated and in many cases was shown to be more effective than a nematicide. Long-term effects (lasting more than one season) were noted with six diseases. Chemical changes in soils were detected and often were accompanied by increased growth response. Microbial changes and biological control phenomena were induced in solarized soils. Solarization offers an effective nonchemical option for pest control that can be used successfully on a commercial scale.

--Irrigation Using Saline Water

Current recommendations for irrigation intervals when using saline water were shown to be invalid and doubts were raised regarding the minimum leaching concept presently favored as a guide for determining leaching requirements of crops. Salinity tolerance under normal agricultural conditions is difficult to determine and data developed in these studies on salinity tolerance of crops in irrigated agriculture will improve the expression of crop water requirements using saline water.

Liaison with International Organization

--Current Activities

OICD coordinates U.S. Government participation in international organizations concerned with food, agriculture and rural development. As the U.S. is a major contributor to the assessed budgets of most of these organizations, it is vital that USDA be closely involved in their policy and program planning in order to advance and protect U.S. interests.

The organizations in which OICD participates include the Food and Agriculture Organization (FAO) of the U.N., the Organization for Economic Cooperation and Development (OECD), the World Food Council (WFC), the Inter-American Institute for Cooperation on Agriculture (IICA), United Nations Economic Commissions and the World Food Program (WFP). OICD also represents the Department on the National Advisory Council on International Monetary and Financial Policies (NAC), and the Development Coordinating Committee's Working Group on Multilateral Aid (WGMA), an inter-agency body which prepares U.S. positions regarding the policies and projects of the development banks (World Bank, Asian Development Bank, Inter-American Development Bank, African Development Bank).

Selected Examples of Recent Progress

--FAO Issues

OICD staff participated, throughout the year, in meetings and discussions which developed U.S. policy on major issues in FAO. Areas of consideration were establishing the World Food Security Compact, adoption of the Code of Conduct for Distribution and Use of Pesticides, and examination of existing price policies and changes. Discussions continued on the role of FAO's Commission on Plant Genetic Resources versus the role of the International Board for Plant Genetic Resources.

--OECD

Commendable progress in the Organization for Economic Cooperation and Development (OECD) was achieved during the year as the Agricultural Secretariat completed scheduled phases of the Ministerial-mandated Trade Study. The agricultural and trade related policies of Austria, the European Community and the United States have been listed and examined. Similar policies of Australia and Canada were compiled, studied and reviewed. The initial assessments of Japan and New Zealand have also been completed. The results of these country studies will provide an econometric model for the comparison of national policies of member nations showing their impact on international agricultural transactions. New ground has been broken in that empirical evidence will now alter previous negotiating restraints in which barganing had been generally based on tariffs. The value of non-tariff measures will be quantifiable. With a common yardstick and a global mechanism for evaluation, a giant step has been taken in the evaluation of the effects on the trade of major agricultural commodities resulting from the lowering of trade barriers.

--World Food Council (WFC)

OICD coordinated the preparation, attendance and follow-up to the Eleventh Ministerial session of the WFC. This year's session was held in Paris and focused mainly on Africa's food problems, including the role of food aid and strategies for sustaining long-term economic development. Secretary Block and Under Secretary Amstutz headed the U.S. Delegation, which included participants from USDA, State and AID. In an effort to solicit views of non-governmental people, OICD briefed key Non-governmental Officials (NGO) prior to, during and following the Ministerial session.

--Inter-American Institute for Cooperation on Agriculture (IICA)

OICD represents the United States Government on the Inter-American Board of Agriculture, which in turn is the governing body of the Inter-American Institute for Cooperation on Agriculture (IICA). In addition to electing a new Director General for the term, 1986-90, the Board mandated an evaluation of IICA's next five-year medium-term plan (1987-91). As part of a proposed streamlining operation which would make IICA an even more effective institution, USDA provided IICA with consultants in support of upgrading its accounting and communications related automated data processing capabilities.

--Recruitment

OICD, working with the Department of State, has sucessfully placed a number of USDA employees and other Americans in key positions with international organizations both in the UN and OAS system. OICD also coordinated the recruitment of a number of USDA professionals requested by international organizations to assist in agricultural development projects abroad. This was done on a reimbursable basis, at no cost to the Department. Many of these projects have animal and plant health components which also help to keep diseases and pests such as African Swine Fever, Screwworm and the Mediterranean Fruit Fly from infecting U.S. agriculture.

--Development Bank Agricultural Financing

OICD represents USDA in the Working Group on Multilateral AID (WGMA). The WGMA reviews proposed development bank and IFAD projects. OICD coordinated USDA's position on proposed projects. USDA opposed palm oil and soybean projects in Paraquay, Costa Rica, Malaysia, Indonesia, Papua New Guinea and the Ivory Coast.

--Codex Alimentarius Commission of FAO/WHO

OICD was instrumental in arranging approval with the Department of State for the United States to host a Committee on Residues of Veterinary Drugs in Food. At a meeting of the Commission in July, the establishment of such a committee was approved and the United States was chosen to host it. The first meeting of the committee will be October 27-31, 1986.

II. INTERNATIONAL AGRICULTURAL DEVELOPMENT

The specific mandate of OICD is to identify and then apply the most appropriate solutions to international agricultural problems, among them the lack of an acceptable standard of living for all people. OICD plans, coordinates, and evaluates USDA's policies and programs related to agricultural cooperation and development throughout the world. OICD provides technical assistance, training, and analysis of agricultural policy issues related to other USDA agencies, the university community, and the private sector. The guiding objective behind USDA policies and programs in the area of international agricultural development is the establishment of an efficient world agriculture that produces, markets, and trades at levels sufficient in quality and quantity to provide adequate food and fiber for all people.

Agricultural expertise is shared with other nations to help them grow more food, improve the quality of rural life, and contribute to economic growth and development. By helping to solve agricultural problems abroad, food production can be increased, economic and rural progress fostered in both developing and developed nations, income levels raised, trade expanded, and world food supplies made more secure. All of these developments can result in reduced hunger and malnutrition.

Technical assistance and training efforts on the part of OICD contribute to trade, market development, and investment opportunities for U.S. agriculture. A growing number of countries that have received U.S. food and development assistance are now strong commercial markets; South Korea and Mexico are two examples.

Technical assistance efforts also provide opportunities for USDA, U.S. universities, and private sector agriculturists to obtain firsthand knowledge of world agricultural conditions and the potential to further trade expansion and exchange technological and managerial expertise.

A. Development Planning and Analysis

Current Activities

The Development Planning and Analysis activities involve the analysis of agricultural policy issues as they relate to trade and development. In this regard, OICD staff work closely with the Foreign Agricultural Service to insure the linkage between trade and development. OICD participates in the review and evaluation of P.L. 480 Self-Help and Food for Development proposals, and the coordination of the International Science and Education Council's (ISEC) involvement in international development efforts.

Selected Examples of Recent Progress

--Private Sector Relations

OICD continues to coordinate USDA's activities in response to the President's Caribbean Basin Initiative. A key element in this program is the Agribusiness Promotion Council (APC), an advisory group appointed by Secretary Block to promote agricultural development and investment in the Caribbean. The Council consists of 30 U.S. private sector agribusiness leaders who serve on a non-reimbursable basis. New council members were installed in September 1985 to continue in the efforts initiated by the first APC. In FY 1985, activities focused on followup work on marketing, investment, and trade issues. OICD continues to be involved in responding to requests for information about trade and investment opportunities in the Caribbean Basin and in developing material on these topics.

--Agricultural Marketing Workshops

To address the special needs of the small Eastern Caribbean countries, OICD sponsored an Agricultural Marketing Workshop for the Eastern Caribbean which was held in Barbados in April 1985. Two hundred participants from 9 Eastern Caribbean nations attended the workshop as well as representatives from U.S. agribusiness firms. The workshop's objectives were to provide needed information on international marketing of all kinds of non-traditional agricultural products, the promotion of home-grown agricultural products for the tourist trade, and to provide a forum where U.S. and Eastern Caribbean business people could conduct trade and investment negotiations.

In September 1985 OICD also sponsored a third Agricultural Marketing Workshop for the Caribbean Basin. Over 500 participants from 22 Caribbean Basin countries as well as U.S. public and private sector representatives attended the workshop. This event was cohosted by the State of Louisiana and its purpose was to review marketing policies and procedures, identify barriers to trade, and provide a forum for importers and exporters to become acquainted. USDA and other government and private experts presented information on market trends, ethnic markets, financing, transportation, packaging, grades and standards, post-harvest quality, aquaculture, off-season and non-traditional products, and other topics. The workshop included an exhibition with participants from 60 private commercial agricultural firms, 16 Caribbean Basin countries, trade publications, and marketing related concerns.

--In Country Marketing Seminars

Foreseeing the need for an effective followup to the 1984 marketing information activities, OICD organized and conducted in-country seminars on import requirements for non-traditional agricultural products at the request of the agricultural attaches and AID missions from Guatemala, El Salvador, Honduras, and Belize. OICD assembled a team of experts from AMS, APHIS, OT, FDA, and Customs to make very specific presentations on import requirements and regulations in these four Central American countries in May 1985.

--Marketing Handbook

OICD published a revised edition of the Agricultural Marketing Handbook for Caribbean Basin Products. This 220 page publication contains the information needed to market Caribbean Basin agricultural products internationally and outlines the role played by U.S. government agencies in the export-import traffic. OICD, in cooperation with the Inter-American Institute for Cooperation on Agriculture, was able to publish a Spanish version of the handbook which was distributed among the Spanish-speaking participants to the September workshop.

--Representation

OICD continues to coordinate the activities of the Department as they relate to the Caribbean Basin Initiative. This includes a twice monthly meeting of representatives of the various USDA agencies. OICD/PSR has had numerous requests to make presentations on their program to various private and public organizations including the university community, i.e., World Council of Mayors, National Association of State Universities and Land Grant Colleges, Caribbean/Central American Conference on the Caribbean, and the National Business League, to name a few.

--PL 480 Title and Title III Program

OICD shares with the Foreign Agricultural Service (FAS) responsibility for the review and evaluation of the Self-Help Measures contained in approximately twenty-eight PL 480 Title I/III agreements each year. The purpose of the Self-Help Measures is to provide an incentive to recipient countries to improve their production, storage and distribution of agricultural commodities and to undertake necessary policy reforms to improve the overall rate of economic development. The Agriculture and Food Act of 1981 requires that measures be described in specific and measurable terms and in a manner which ensures that the needy people of the recipient country will be the major beneficiaries of the program.

OICD also shares responsibility with FAS for the review and evaluation of multi-year PL 480 Title III Food for Development Agreements and ensures that USDA program interests are represented in their design, negotiation and implementation.

B. International Training

Current Activities

OICD administers and designs a comprehensive training program in agriculture and rural development to help other nations develop essential technical and managerial skills necessary for their economic development. The program represents long-term investment in manpower development, establishment of institutional linkages, and building of collegial relationships which facilitate mutually beneficial agricultural trade, research, and agribusiness opportunities.

The U.S. Department of Agriculture has been conducting this program for over 30 years, training some 75,000 foreign agriculturists. Many of these now hold leadership positions in their countries as ministers of agriculture, planning, and finance.

Selected Examples of Recent Progress

--Designed and Monitored Academic and Technical Training Programs

During 1985 OICD administered U.S. training programs for over 2,000 foreign agriculturists. Foreign students at all degree levels were placed by OICD in over 100 U.S. universities. OICD arranged individually-tailored programs to provide trainees with specific knowledge and skills required to perform their job responsibilities. Non-degree training varied from two-week study tours to observe latest techniques to six months of hands-on research working alongside a U.S. researcher. Included were year-long programs involving a term at a university, special short courses, a month of on-the-job training in a private agribusiness firm, and an observational tour. Additionally, OICD offered 50 short courses designed and conducted specifically for developing countries. These covered technical agricultural subjects as well as agricultural trainer development, project and program management, and other support topics.

--Presented Courses Overseas

OICD presented 19 courses overseas providing for 252 person-months of training in 1985. These focused on situations and needs unique to the host country. Overseas courses are normally conducted in the native language of the participants.

--Managed Projects Overseas

OICD training expertise is available to other nations to assist them with comprehensive manpower development activities at national and regional levels. Projects are multi-faceted, requiring the stationing of resident advisers overseas to provide on-site assistance, conducting complementary academic and nonacademic training in the U.S., and using short-term consultants to provide specialized expertise as needed. During 1985 resident advisers provided training and assistance in Indonesia, Tanzania, and Portugal.

--Middle-Income Country Training Program

A new agricultural scholarship program for foreign students from six middle-income countries was developed and implemented in FY 1985. Colombia, Venezuela, Mexico, Korea, Ivory Coast, and Turkey participated in the program, which provides both academic and nonacademic training in many fields of agriculture. One hundred twenty five participants were trained under the Middle Income Training Program in FY 1985. Working closely with many organizations, such as the agricultural trade associations, the private sector and the land-grant universities, OICD organized programs in soybean processing, grain storage and marketing, animal feeding and nutrition, dairy production, plant quarantine, and agricultural economics and policy.

C. Technical Assistance

Current Activities

Working with local and U.S. officials in developing countries, U.S. agriculturists and specialists conduct the following activities:

1) assisting individual countries in economic planning and establishment of data bases for programmatic and policy decisionmaking;

2) designing strategies and implementation programs for development and management of natural resources;

3) assessing agricultural development needs, priorities, potentials and capabilities;

4) evaluating the availability and current use of technology, essential agricultural institutions and agro-industry support services and infrastructure of the agricultural sector;

5) developing systems and procedures for determining the suitability of technology;

6) assisting the countries' public and private sectors to develop policies, programs, and institutional capabilities to facilitate agricultural development;

7) promoting developing countries as stronger trading partners for U.S. goods and services.

The need for U.S. technical assistance continues to be strong. During FY 1985, OICD worked with AID, international organizations, selected developing nations, and the Organization of Petroleum Exporting Countries (OPEC). Technical assistance personnel traveled to 87 countries to perform work requested under these agreements, conducted workshops, and participated in seminars and planning sessions. Programs included animal health, agricultural crop estimation, soil and water management, crop production and marketing systems, forestry, food technology, rural development and resource conservation. There were 512 short-term temporary duty assignments (TDY's), and 246 long-term assignments, of which 124 were overseas. USDA scientists and technicians provided 64 percent of this direct assistance; the remaining 36 percent was provided by U.S. universities and private sources, under the direction of OICD.

--The Gambia

The USDA has worked with the USAID over the last six years to develop and establish soil and water management capabilities within the Gambian department of agriculture. A soil and water management unit, initially staffed by three resident technicians from USDA-Soil Conservation Service, has developed operating procedures, selected employees for U.S. university enrollment, locally trained a wide spectrum of agricultural generalists to provide extension services to Gambian farmers, and developed technical guides on the proper use and management of different soils for conservation and sustained production of food. The unit has now become established within the department of agriculture under full Gambian leadership and staffing. Local participating farmers have acknowledged restored water supply, reclaimed hectares, and increased yields. USDA-SCS technical assistance is scheduled to continue through June 1987.

--Somalia

The USDA has cooperated with the USAID since the late 1970's assisting Somalia's agriculture sector. The department has completed 5 staff years of resident assistance in agronomy and animal extension; 2 resident staff years of forestry management in refugee areas; and 2 staff years in poultry production. USDA currently has an economist engaged in policy and planning, and has recently undertaken an APHIS-assisted resident activity to establish quarantine stations for Somalia's all-important livestock sector. The department's services include in-country agricultural seminars, university enrollment, and U.S. study tours.

--Burundi

In 1984, USDA was invited to participate in an ongoing project in Burundi designed to provide high quality seed to increase the yields for certain basic staple foods. USDA provided a resident farm manager within that year and in 1985 an agronomist took up residency. Farm management has taken a dramatic turn for the better and USDA was lauded in several evaluations of the project. OICD has also provided consultants in records management and will be providing seed processing expertise in 1986.

--Morocco

USDA is coordinating a project designed to establish a crop estimation system for Morocco, and to build statistics and economics capabilities within the ministry of agriculture and agrarian reform. It will include components involving the interpretation of aerial photographs, the construction and implementation of an area sample frame, crop yields modeling, statistical reporting and interpretation, and economic analysis. Moroccans trained in these areas can significantly enhance their country's policy decisions. USDA resident personnel now include two agricultural statisticians and an economist. A trained cadre of Moroccans will be able to continue the work once the USDA staff has left the country. Significant quantities of computer equipment are being purchased from the U.S. private sector.

--Ecuador

In 1984 the U.S. Forest Service began a major effort to assist the government of Ecuador in carrying out silvaculture research with an eye to improving management of forest areas within the critical watersheds of the country. This work is to be completed in 1988.

--Guatemala

A major project was started in Guatemala in 1984 and currently has four resident USDA employees involved in the project. The work is located in the northeastern highlands of Guatemala which is a temperate zone climate. The thrust of the project is to introduce deciduous fruits and vegetables to Indian farmers with extremely small acreage. Historically the Indian farmers have only grown beans and corn to meet the food needs of their own families. The introduction of fruits and vegetables into their farm pattern will give the farmers cash incomes as well as improve the dietary intake of their families through the addition of leafy green and yellow vegetables.

--Peru

The USDA's Soil Conservation Service is providing long-term technical assistance to the government of Peru to create a soil conservation service system throughout the country. Technical assistance focuses on the introduction of improved soil conservation practices and on the training of technicians and farmers in the field. The project has been rated a major success in Peru's agricultural development efforts.

--Yemen Arab Republic

Through arrangements with two U.S. universities, OICD has provided two USDA employees to work in the areas of agricultural economics and plant pathology. This AID-funded project is designed to assist the Yemen Arab Republic in developing national plans to promote better horticultural methods. Again working through a U.S. university, the USDA will provide an agricultural statistician for this project in mid-1986.

--Pakistan

This activity is a component of the AID-funded project on food security management. Under the project, the Statistical Reporting Service of the USDA has assigned a team of two statisticians to begin implementation of an area frame sampling system to enhance the collection of agricultural data. Additionally, the project will result in enhanced data analysis and interpretation at local, provincial, and national levels. The project is expected to have a duration of four years.

--Jordan

OICD organized and mobilized appropriate USDA expertise to design and implement a biological control program of the spherical mealybug infesting the citrus groves of the Jordan River Valley. OICD mobilized Agricultural Research Services entomologists to assess the problem in Jordan and make recommendations for control. USDA personnel have trained employees of the Jordanian Ministry of Agriculture in various aspects of biological control and are undertaking a series of exploration trips throughout the world to identify and collect natural enemies of the spherical mealybug and import them to Jordan for release. Benefits to American agriculture are expected as the result of the participation of American scientists in identifying natural enemies of the mealybug in other parts of the world and evaluating and documenting their relative impact on metigating infestations.

--Indonesia

OICD has developed a new process for fortifying monosodium glutamate (MSG), a widely used flavor enhancer, with vitamin A as a means of helping to reduce vitamin A deficiency diseases in developing countries. Severe vitamin A deficiency results in blindness among 250,000 young children annually and recent findings in Indonesia indicate that even a moderate deficiency causes a significant increase in morbidity and mortality rates. During 1985, OICD technology and equipment were used to manufacture vitamin A fortified MSG which was distributed in rural areas of Indonesia near Jakarta. Preliminary evaluations have confirmed that fortified MSG is acceptable to consumers and indicate positive nutritional impact--ocular signs of vitamin A deficiency were reduced, blood serum levels of vitamin A increased, and vitamin A content of breast milk was substantially higher. OICD is continuing to assist the Government of Indonesia in its program and expects to provide technical assistance to the Governments of the Philippines, Malawi, and others interested in overcoming vitamin A deficiency through food fortification.

--Soil and Water Management Projects

Water is the limiting natural resource over vast areas of agricultural land in the developing world. These projects are aimed at devising and spreading appropriate technologies for effectively conserving and utilizing the available soil moisture in the dryland farming regions predominant in developing countries. Assistance is provided to developing countries in soil surveys, classification and in the use and management of soils. OICD is cooperating with USDA's Agricultural Research Service, Soil Conservation Service and Economic Research Service to establish research linkages between scientists in the U.S. and in the developing countries. During FY 1985, a tour of the Western Great Plains from North Dakota to Texas was conducted for 26 Agricultural officials, Research Administrations and Reseach Scientists from Africa, the Near East and India. Discussions were begun for collaborative research projects involving host-country, IARC and U.S. scientists. International Soil Taxonomy training forums were held in Rwanda, Burundi, Zambia and Tunisia; soil classification workshops in India and Brazil; and a land-clearing workshop in Indonesia.

--Disaster Assistance Support

OICD's Technical Assistance Division has recently entered into an agreement with AID's Office of Foreign Disaster Assistance (AID/OFDA) to initiate and backstop a disaster assistance program in fields in which the USDA has pre-eminent expertise (wildfire suppression, flood control, etc.). The program, to be technically implemented by the U.S. Forest Service in cooperation with OICD, will support activities that have been requested by, or anticipated from, high disaster-risk countries. The services provided under this agreement are primarily technical assistance to OFDA, U.S. missions and interested countries, support for OFDA and country-initiated training programs and workshops, and formation and maintenance of a roster of technical expertise in disaster relief specialties. Thus far, OICD and the Forest Service have collaborated on conducting an International Wildfire Suppression Course in Chile and are currently planning a country-specific wildfire suppression training program in Venezuela in January-February 1986.

OFFICE IN INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets).

[Scientific Activities Overseas (Foreign Currency Program)]

[For payments in foreign currencies owed to or owned by the United States for market development research authorized by section 104(b)(1) and for agricultural and forestry research and other functions related thereto authorized by section 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704 (b)(1), (3), $2,982,000: Provided, That this appropriation shall be available, in addition to other appropriations for these purposes, for payments in the foregoing currencies: Provided further, That funds appropriated herein shall be used for payments in such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph: Provided further, That not to exceed $25,000 of this appropriation shall be available for payments in foreign currencies for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), as amended by 5 U.S.C. 3109.]

This change deletes the appropriation language for the Scientific Activities Overseas - Foreign Currency Research Program. This program will be phased out over a four year period beginning in FY 1987. Research projects already underway will continue until completion.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

SCIENTIFIC ACTIVITIES OVERSEAS

Appropriation Act, 1986		$3,000,000
Budget Estimate, 1987		--
Decrease in Appropriation		- 3,000,000
Adjustments in 1986		
Appropriation Act, 1986	$3,000,000	
Less Pro-Rata Reduction, P. L. 99-190	- 18,000	
Adjusted base for 1986		2,982,000
Budget Estimate, 1987		--
Decrease from adjusted 1986		- 2,982,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Market Development Research	$300,000	- $300,000	--
Agricultural and Forestry Research	2,182,000	-2,182,000	--
Translation and Dissemination of Scientific Publications	500,000	- 500,000	--
Total Available	2,982,000	-2,982,000	--

PROJECT STATEMENT
(on basis of adjusted appropriation)

Project	1985 Actual		1986 Estimated			1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Market development research, Sec. 104(b)(1)	$ 300,000	2	$300,000	2	-$300,000	--	1
2. Agricultural and forestry research, Sec.104(b)(3).	4,200,000	7	2,182,000	3	-2,182,000	--	3
3. Translation and dissemination of scientific publications, Sec.104(b)(3).	500,000	--	500,000	--	- 500,000	--	--
Total, appropriation	5,000,000	9	2,982,000	5	-2,982,000	--	4

The following statement reflects carryover into succeeding years of actual or estimated prior year balances and shows total actual or planned obligations.

PROJECT STATEMENT
(on basis of available funds)

Project	1985 Actual		1986 Estimated			1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Market development research, Sec. 104(b)(1)	$300,000	2	$300,000	2	-$249,000	$ 51,000	1
2. Agricultural and forestry research, Sec.104(b)(3).	5,463,112	7	2,182,000	3	-1,799,000	383,000	3
3. Translation and dissemination of scientific publications Sec.104(b)(3).	500,000	--	500,000	--	- 500,000	--	--
Total, Obligations.	6,263,112	9	2,982,000	5	-2,548,000(1)	434,000	4
Unobligated balance, start of year	-1,316,013		- 52,901		--	-52,901	
Unobligated balance, end of year.	52,901		52,901		- 434,000	- 381,099	
Total available or estimate	5,000,000	9	2,982,000	5	-2,982,000	--	4

EXPLANATION OF PROGRAM

As authorized by Sections 104(b)(1) and 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended, USDA uses foreign currencies which the Treasury Department determines to be excess to U.S. Government needs to support agricultural and forestry research on problems of mutual interest to the United States and participating foreign countries. OICD represents all USDA agencies in this activity. Since the program's inception in 1958, over 2,000 projects valued at approximately $146 million equivalent in foreign currency have been negotiated in 33 countries worldwide. The appropriation for Scientific Activities Overseas is allotted as intergovernmental fund transfers when grants are obligated for cooperative research in foreign countries.

Research projects conducted abroad through grants negotiated with foreign research institutions and organizations are selected based on their relevance to priority U.S. agricultural concerns, such as preventing the incursion of animal diseases and exotic insects and developing plants that are drought tolerant, disease-resistant and more productive. Cooperative research benefits U.S. agriculture by developing markets for U.S. agricultural products and equipment, adding to knowledge of our environment, and cutting the cost of valuable research. It also provides access to unique agricultural ecosystems in order to study insects, weeds and diseases which have entered the United States and cause severe losses due to lack of biological control.

JUSTIFICATION OF INCREASES AND DECREASES

(1) No appropriation is requested for FY 1987. ($2,982,000 available in FY 1986).

Need for Change. The Foreign Currency Research program (FCR) has used U.S. owned foreign currencies to fund research abroad since 1954. In recent years, the types of currencies determined to be in excess by the Department of Treasury has declined and thus the availability of currencies for this program has diminished. In several cases, these programs have moved to alternate funding arrangements. For example, the program in India is expected to shift to an endowment, the U.S. India Fund (USIF), in fiscal year 1986. A similar arrangement is being explored with Egypt and Pakistan.

Nature of Change. The FCR program will be phased out over approximately a four year period. FCR grants average five years in length with the entire amount obligated in the year the grant is signed. Existing grants will continue to be serviced until liquidated.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1985		1986		1987	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Overseas..................	6,263,112	9	2,982,000	5	434,000	4
Total Available or Estimate...............	6,263,112	9	2,982,000	5	434,000	4

SCIENTIFIC ACTIVITIES OVERSEAS

STATUS OF PROGRAM

Foreign Currency Research

The Department of Agriculture's Office of International Cooperation and Development is one of eleven U.S. Government agencies that have used U.S.-owned foreign currency to conduct scientific programs overseas.

The Agricultural Trade, Development, and Assistance Act of 1954 (P.L. 480) authorizes USDA to use U.S.-owned foreign currencies to support cooperative agricultural and forestry research on problems of interest to the United States and participating foreign countries. OICD represents all USDA agencies in this activity. Since the program's inception in 1958, over 2,000 research projects worth about $166 million in foreign currencies have been negotiated in 32 countries. Scientists in Pakistan, India, and Egypt are now working on 172 projects under this program.

The Foreign Currency Research (FCR) program consists of agricultural research projects with a high level of personal interaction among scientists. Today's cooperative agricultural research in Israel, Poland, and Yugoslavia is the result of past successes of the P.L. 480 programs in those countries.

The FCR Program provides funds to support domestic objectives of ARS, APHIS, FS, and ERS. These agencies have found that it provides unique information, germplasm, and biological material which would otherwise be unavailable to USDA scientists. The research undertaken is of mutual interest to the United States and to the host countries and projects do not displace or duplicate domestic research conducted by the Department or its cooperators. The research helps solve agricultural problems in the United States.

First priority is given to research that cannot be done in the U.S., such as exotic animal and plant diseases - (African swine fever, foot-and-mouth disease, Karnal bunt of wheat, citrus canker and Mediterranean fruit flies). Foreign scientists are able to work on pests that are quarantined in the U.S. and can evaluate techniques that are not permitted in the U.S. at the present time.

Second priority, is to obtain and/or evaluate plant and animal germplasm or biological control materials that are not available here and to study differing storage and transportation situations for U.S. exports.

Third, is to do quality research on subjects of high priority to the United States such as non-traditional approaches to biotechnology or some types of research that are labor intensive.

The use of foreign currencies to augment U.S. domestic research of high priority does not require dollar outlays by the U.S. Government. The appropriation for Scientific Activities Overseas is allotted as intergovernmental fund transfers when grants are obligated for cooperative research in foreign countries.

Foreign Currency Research:

- Provides access to materials unavailable in the U.S., such as food and fiber genetic materials; predators of serious pests that offer possibilities for biological control of noxious insects, diseases, and plants; plant derivatives useful in medicines and pest control; and plant and animal diseases not yet present in the United States.

- Provides opportunities to study foreign ecosystems to learn about insects, weeds and diseases that have entered the United States and caused severe losses because of the absence of natural controls.

- Reduces U.S. research costs. The cost of an average FCR scientific staff-year is approximately one-fifth the cost of an average domestic scientific staff-year. Additionally, the expenditure of U.S.-owned foreign currency does not affect total Federal outlays. In the United States the construction and maintenance of quarantine facilities to study exotic plant and animal diseases raises costs of conducting research to more than $250,000 per scientist year. FCR carried out in foreign countries, where the diseases are endemic, can be done without a dollar outlay and significantly augment the work in U.S isolation laboratories.

- Develops markets for U.S. agricultural products and equipment by demonstrating the superior performance of new technology through research. For example, as a result of outstanding performance by U.S.-European dairy cattle crosses, U.S. Holstein semen exports increased nearly 50 percent from 1979 to 1984 (1,594,172 units to 2,341,189 units).

- Adds to U.S. and world knowledge of our environment by compiling basic technical information on foreign vegetation, insects, fungi and animals.

- Strengthens U.S.-international ties. Agricultural scientists of the Department of Agriculture and universities work directly with scientists in other countries on research problems of mutual interest. These scientist-to-scientist ties often reach to the upper levels of the Ministries of Agriculture in the involved countries. In addition, many high ranking officials of the various ministries either obtained their advanced degrees under the program or were principal investigators on projects. This personal involvement dramatically enhances this relationship with American Agricultural Officials concerning their favorable outlook toward the U.S. in all matters, including vital trade issues.

During FY 1985, $500,000 equivalent in foreign currency was used for the translation of books and scientific articles dealing with new developments in foreign laboratories for use by U.S. agricultural and veterinary medical specialists. APHIS, for example, uses translated materials as an important component of their advance planning efforts to detect disease outbreaks that constitute a threat to the U.S. livestock and poultry industries.

Special Foreign Currency (SFC) Research Program
Research Proposals and Agreements by Cooperating Agency
July 1, 1959 through September 30,1985

	Received	Rejected	Mod.	Awaiting Obligation	Obligated		Active	
					Number	Dollar	Number	Dollar
Agricultural Research Service	4,392	2,568	69	59	1,696	122,796.4	142	19,289.0
Forestry Research	550	280	7	12	251	19,179.8	10	2,031.4
Economic Research Service	170	123	-	-	47	3,305.6	-	201.2
Animal and Plant Health Inspection Service	5	-	1	-	4	156.6	3	156.6
Extension Service	1	-	-	-	1	518.6	1	518.6
Statistical Reporting Service	3	2	-	-	1	33.1	-	.4
SCS	1	-	-	-	1	164.4	-	164.4
Cooperative State Research Service	1	-	-	1	-	-	-	-
Total	5,123	2,973	77	72	2,001	146,154.5	156	22,361.6

* This figure does not include 16 grants financed by Polish owned zlotys and 97 grants financed by the U.S. - Yugoslav Joint Board.

OBLIGATIONS OF FOREIGN CURRENCIES

Obligations: Through September 30, 1985, a total of $169,001,600 has been obligated for activities under the Special Foreign Currency Program. These obligations are summarized as follows:

Obligations through FY 1986
(Dollar Equivalent in Thousands)

Fiscal Year	Market Development Research (Sec. 104(b)(1))	Agricultural and Forestry Research (Sec. 104(b)(3))	Translations of Publications and Scientific Cooperation, Executive Office of the President a/	Total
1958..........	$ 371.5	$ - -	$ - -	$ 371.5
1959..........	1,651.8	- -	1.7	1,653.5
1960..........	2,230.5	- -	793.2	3,023.7
1961..........	1,893.2	1,832.4	1,565.2	5,290.8
1962..........	2,859.0	5,294.6	595.8	8,749.4
1963..........	2,566.3	5,000.7	248.6	7,815.6
1964..........	3,214.8	4,466.4	555.5	8,236.7
1965..........	3,485.8	5,408.1	72.2	8,966.1
1966..........	703.7	3,877.4	- 199.5	4,381.6
1967..........	1,620.6	7,953.2	114.5	9,688.3
1968..........	991.9	6,317.0	- 44.1	7,264.8
1969..........	971.9	4,733.2	- -	5,705.1
1970..........	790.5	4,076.0	- -	4,866.5
1971..........	654.0	4,171.8	- -	4,825.8
1972..........	840.4	5,853.6	- -	6,694.0
1973..........	1,026.1	7,995.8	- -	9,021.9
1974..........	195.9	7,551.5	- -	7,747.4
1975..........	349.2	6,263.6	- -	6,612.8
1976b/........	326.6	9,044.7	- -	9,371.3
1977..........	414.1	5,830.5	- -	6,244.6
1978..........	323.3	7,387.1	- -	7,710.4
1979..........	609.9	5,477.4	- -	6,087.3
1980..........	496.2	4,274.8	- -	4,771.0
1981..........	184.1	2,850.4	- -	3,034.5
1982..........	108.3	1,070.6	- -	1,178.9
1983..........	- 5.7	3,374.7	- -	3,369.0
1984..........	680.5	6,393.5	- -	7,074.0
1985..........	300.0	5,963.1	- -	6,263.1
1986 (est'd)..	300.0	2,682.0	- -	2,982.0
Total	$ 30,154.4	$ 135,144.1	$ 3,703.1	$ 169,001.6

a/ This fund was merged with Special Foreign Currency Program by the Department of Agriculture and Related Agencies Appropriation Act, 1969. b/ Includes Transitional Quarter.

EXPENDITURES OF FOREIGN CURRENCIES

Expenditures: Through September 30, 1985, a total of $146,557,800 has been expended. OICD plans to expend $6,674,000 in fiscal year 1986. These expenditures are summarized as follows:

Expenditures Through FY 1986
(Dollar Equivalent in Thousands)

Fiscal Year	Market Development Research	Agricultural and Forestry Research	Translation of Publications and Scientific Cooperation Executive Office of the President a/	Total
1959..........	$ 195.1	$ -	$ 0.1	$ 195.2
1960..........	654.6	-	75.1	729.7
1961..........	1,254.9	350.2	495.2	2,100.3
1962..........	1,735.8	1,351.8	425.6	3,513.2
1963..........	2,136.8	2,071.7	590.9	4,799.4
1964..........	2,292.9	2,514.9	655.5	5,463.3
1965..........	2,816.3	3,724.6	616.0	7,156.9
1966..........	2,435.2	4,113.9	211.2	6,760.3
1967..........	2,487.0	4,754.6	224.7	7,466.3
1968..........	1,951.0	5,028.8	200.5	7,180.3
1969..........	1,598.9	5,454.6	-	7,053.5
1970..........	1,092.6	4,863.4	-	5,956.0
1971..........	955.9	4,753.1	-	5,709.0
1972..........	884.2	5,337.3	-	6,221.5
1973..........	704.1	4,644.0	-	5,348.1
1974..........	731.2	7,052.9	-	7,784.1
1975..........	783.6	6,491.7	-	7,275.3
1976b/.........	902.9	9,477.8	-	10,380.7
1977..........	403.5	6,699.0	-	7,102.5
1978..........	551.4	6,952.6	-	7,504.0
1979..........	375.9	5,170.7	-	5,546.6
1980..........	398.0	5,288.0	-	5,686.0
1981..........	365.8	5,039.2	-	5,405.0
1982..........	380.2	3,558.0	-	3,938.2
1983..........	139.9	2,889.5	-	3,029.4
1984..........	202.8	2,702.2	-	2,905.0
1985..........	394.5	3,953.5	-	4,348.0
1986 (est'd)..	667.4	6,006.6	-	6,674.0
Total	$ 29,492.4	$ 120,244.6	$ 3,494.8	$ 153,231.8

a/ This fund was merged with Special Foreign Currency Program by the Department of Agriculture and Related Agencies Appropriation Act, 1969. b/ Includes Transitional Quarter.

Special Foreign Currency Program - Fiscal Year 1985 Obligations
(Dollar Equivalent in Thousands)

	Market Development Research Section 104(b) (1)	Agricultural and Forestry Research Section 104(b) (3)			
Country	Agricultural Research	Agricultural Research	Animal & Plant Inspection	Soil Conservation	Total
India	300.0	2,556.9	51.8	157.6	3,066.3
Pakistan	-	1,577.5	-	-	1,570.7
Costa Rica			343.7		343.7
Egypt			1,275.6	-	1,282.4
Total	300.0	4,127.6	1,671.1	157.6	6,263.1

Special Foreign Currency Program - Estimated FY 1986 Obligations
(Dollar Equivalent in Thousands)

	Market Development Research Section 104(b) (1)	Agricultural and Forestry Research Section 104(b) (3)			
Country	Agricultural Research	Agricultural Research	Economics Research	Forestry Research	Total
Pakistan	51	438	84	71	644
Egypt	67	571	108	92	838
Taiwan	80	680	130	110	1,000
Yugoslavia	40	340	65	55	500
Total	238	2,029	387	328	2,982

THURSDAY, APRIL 17, 1986.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

WITNESSES

DANIEL G. AMSTUTZ, UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

MILTON HERTZ, ACTING ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

MERRILL MARXMAN, DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

EARLE BEDENBAUGH, DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

DAVID HALL, DIRECTOR, BUDGET DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

RICHARD GOLDBERG, DEPUTY UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

OPENING REMARKS

Mr. WHITTEN. The committee will come to order.

You may proceed.

Mr. AMSTUTZ. Thank you, Mr. Chairman.

Mr. Chairman, I would like to introduce the people here this afternoon from ASCS. First, on my right, is Milton Hertz, Acting Administrator, Agricultural Stabilization and Conservation Service. Next to him is David Hall, Director of the Budget Division for ASCS.

To my immediate left is the well-known Steve Dewhurst who needs no introduction.

Next to him, Dick Goldberg, Deputy Under Secretary; and next to him Merrill Marxman, Deputy Administrator for Commodity Operations.

I would like Mr. Hertz to present his testimony.

Mr. WHITTEN. I heard my good friend John Myers thank you off the record for your testimony. I wondered whether it was because you propose to abolish the ACP program or haven't exported anything. I just wonder what you folks are doing.

Mr. AMSTUTZ. I forgot to introduce Mr. Bedenbaugh, who is the Deputy Administrator for State and County Operations.

[The biographical sketches follow:]

MILTON J. HERTZ, ACTING ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Milton J. Hertz is Acting Administrator of the Agricultural Stabilization and Conservation Service (ASCS). He also serves as Acting Executive Vice President of the Commodity Credit Corporation (CCC).

Mr. Hertz was born in Elgin, North Dakota. He is a graduate of Mott Lincoln High School and Dickinson, North Dakota State College. He did graduate work at the University of Colorado at Boulder.

He has received the National Outstanding Young Farmer award, the North Dakota State University President's Award for soil conservation, and numerous State and county Soil Conservation Service awards for his farm.

Mr. Hertz is a member of the North Dakota Farm Bureau, North Dakota Grand Lodge AF&AM Elks Lodge, and the Outstanding Farmers of America fraternity.

Mr. Hertz and his wife Carol live in Vienna, Virginia. They have three children.

EARLE J. BEDENBAUGH, DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Earle J. Bedenbaugh is Deputy Administrator for State and County Operations, Agricultural Stabilization and Conservation Service (ASCS). He also serves as Deputy Vice President to the Commodity Credit Corporation.

Prior to being named to this position, he served as State Executive Director of the South Carolina ASCS office. Mr. Bedenbaugh has also served as chairman of the State Emergency Board, chairman of the State Food and Agricultural Council Farm Bureau, and chairman and member of the South Carolina ASC Committee.

In 1980, he received the honorary Seedsman of the Year award in South Carolina.

Mr. Bedenbaugh owns and operates a 600-acre farm in Newberry County, specializing in certified small grains, soybeans, beef cattle, and forestry development. He also operated the Bedenbaugh Seed Company in partnership with his brother, David.

Mr. Bedenbaugh, a native of Prosperity, South Carolina, is a 1944 graduate of O'Neal High School in Prosperity. In 1948 he received a B.S. degree in animal husbandry from Clemson University.

Mr. Bedenbaugh and his wife, the former Jeannine Ballentine, have four children.

Mr. WHITTEN. You have the right to explain why your Administration is neglecting our own country while increasing foreign aid and military spending. You may proceed.

Mr. HERTZ. Mr. Chairman, with your permission, I would like to submit my statement for the record and speak about three or four topics as they relate to our budget at the present time.

SUPPLEMENTAL REQUEST FOR ADMINISTRATIVE SUPPORT

First of all, we have as part of the pending supplemental a request of $72 million for our administrative costs basically at the county level.

This request relates both to the 1985 program crop year and to 1986. We didn't realize last fall that we would be into loanmaking and other programs related to 1985 production far in excess of any activities that we had ever had before.

With the complexity of the 1985 farm bill being implemented this spring, and several new programs, we find we have a tremendous workload out in the country and are requesting a supplemental for that.

Mr. WHITTEN. Workload? What does that consist of?

Mr. HERTZ. We are identifying the administration of the county offices——

Mr. WHITTEN. "Identifying?" That is an odd word. What do you mean by "identifying"?

Mr. HERTZ. The administrative and salary costs of operating those offices.

Mr. WHITTEN. Why would you do that when you recommend that we abolish the Agricultural Conservation Program? The 1987 budget recommends we do that. In addition to that, you won't use the tools that are in the law for maintaining our exports. So what is this increased workload that you have?

Try and explain it to the people, and the Congress.

Mr. HERTZ. The increased workload, number one, was increased loanmaking activity.

Mr. WHITTEN. Loanmaking activity? In my home county the FmHA has approved 20 out of 75 applications. So why is it that the workload has increased?

Mr. HERTZ. These would be commodity loans, sir.

Mr. WHITTEN. Commodity loans?

Mr. HERTZ. Yes, through the ASCS offices.

Mr. WHITTEN. If a million-some-odd acres are already going to be idle, with no payments and no rentals, as was stated to me by the FmHA Administrator the day before yesterday, where are you going to get the commodities?

Are you going to do like you did with cotton under the PIK program where you paid people to grow cotton so they could pay themselves for not growing cotton? I am serious. Why should we give you personnel when you are killing the programs?

Now your predecessor took $15 million appropriated for the conservation program and used it for different purposes and said he thought it was all right. He wrote later and apologized. How can you justify more people under the conditions that we have?

Mr. HERTZ. We have a workload measurement system that identifies these activities.

Mr. WHITTEN. "Identifies," you use that word a whole lot. We broke up the sale by the Navy of the Elk Hills Naval Petroleum Reserve because the Navy proposed to "consummate" a program. When a fellow uses an odd word, I always wonder why.

Do you mean you have your picture made with them to "Identify"?

Mr. Amstutz, we will ask Mr. Dewhurst if you don't have the answer.

Mr. AMSTUTZ. Mr. Chairman, we have record-high participation in our farm programs now.

Mr. WHITTEN. Is that the part where you pay a fellow not to farm, not to plant?

Mr. AMSTUTZ. For a farmer to participate we surely do ask him to retire a certain percentage of his acreage, but we have record participation in the programs on an all-time historic basis, and we have greater complexity of the programs.

Mr. WHITTEN. I can imagine so. We have it here in these hearings.

Mr. AMSTUTZ. So that combination of greater participation and greater complexity of the programs just increases the workload dramatically. We are asking the personnel in our county offices to carry a heavier workload, and they are really doing a very good job for us.

Mr. WHITTEN. They are to be judged by their results. What are the results?

Mr. AMSTUTZ. Well, they are getting the deficiency payments out, Mr. Chairman, and they will be getting the loan payments out. The job in the county office is to handle the paperwork so that the payments can be made to the farmers.

DEFICIENCY PAYMENTS

Mr. WHITTEN. Now, what are the deficiency payments you are talking about? Are those when a man engaged in agriculture will give his overseas markets to competitors and will take the reduced price that you offer—despite the increase in his cost—and you pay him something out of the Treasury? Are your people the ones that go through the motion of seeing how much, how big a treasury payment he gets, for the purpose of contributing to reducing our agricultural production to the domestic use level?

Do they give the bargain to the purchaser who buys from a farmer, let him buy it below cost? Are your folks the ones that decide how much money to give the farmers out of the Treasury?

Mr. AMSTUTZ. Well, the law determines———

Mr. WHITTEN. Is that a prescription?

Mr. AMSTUTZ. The law determines how the deficiency payment is calculated.

Mr. WHITTEN. The end result of the law is as I describe it, however.

Mr. AMSTUTZ. Certainly, I think of the deficiency payment as an income supplement.

Mr. WHITTEN. That is where you set his price where he does not break even, so you give him a supplemental payment.

Mr. AMSTUTZ. That is right.

Mr. WHITTEN. Is it sufficient to cover the increased cost of production? The record before us shows that since World War II, the cost of the American farmer has gone up 1,100 percent, but the price he receives for his commodities has gone up only 300 percent. This deficiency check is to make up the difference as I understand it.

FARM PROGRAM LEGISLATION

What if we were to appropriate the money in the pending supplemental so that you must use the old law, where folks made money and were able to buy the land they are now having to give back to the Government? The Government in turn is not going to provide any rent or other payment on millions of acres which will be idle. What if we were to provide for the personnel and redirect your activities to carry out the old law, are you in a position to do that?

Mr. HERTZ. Are you referring to conservation or the 1981 Act?

Mr. WHITTEN. Well, as you know, under the conservation reserve, you have set out to get rid of the existing conservation programs which have worked so well, and put the funds in the new program. We managed to stop that. We got a law through telling you not to do that.

But what will happen if the Congress should adopt a bill that we have pending at the moment telling the Department to go ahead and carry out the old law under which the farmers made money, bought land, and paid for it, instead of continuing the farm program where now he does not break even and you have to give him a Treasury check to partially make up the difference? Are your personnel in a position to go ahead and do the work as determined by the Congress, or are they going to follow your policies?

Mr. AMSTUTZ. With all respect, Mr. Chairman, and we are aware, as we discussed some this morning, of your thoughts on what the program should be. As I say, with all respect, first, our job is to carry out the law.

The law is quite clear as to what the farm program is.

Mr. WHITTEN. If this bill passes, it becomes a new law to enable you to carry out the old law that worked. It is still on the books.

Mr. AMSTUTZ. Because there is a new law that supersedes it.

Mr. WHITTEN. If we have another new law, are you going to change over to the new law pending now?

Mr. AMSTUTZ. I think the answer is we will follow the law.

Mr. WHITTEN. Agriculture bankruptcy, as it is today, is largely because you have given the consumer instead of the farmer a bargain. The consumer buys food from the producer at less than cost, which was never the intention—in my opinion.

Do we need all your people? If we are going to shrink American agricultural production down to domestic needs, give away our foreign markets—11 percent of production went under the PIK program and the rest of it will go under this new law—do we need all these people just to show you how bad the situation is?

Mr. HERTZ. We would still have to administer the——

Mr. WHITTEN. If you don't have the money to hire the people you wouldn't have to.

Mr. AMSTUTZ. The problem, Mr. Chairman, would be we just would not be able to accomplish what we think the top priority of our county offices is—to handle the paperwork and get payments out to farmers as quickly as possible.

Mr. WHITTEN. If we change the program through the bill that is now pending, are you in a position to change and meet the intent of the law that we pass?

Mr. HERTZ. Yes, sir.

Mr. WHITTEN. You might go ahead with your statement.

DAIRY INDEMNITY PROGRAM SUPPLEMENTAL REQUEST

Mr. HERTZ. Another issue that is of great importance to us is the supplemental request for the Dairy Indemnity Program that is needed for some contaminated animals in Missouri, Arkansas, and Oklahoma. Initially the estimate was for $10 million, but after a task force did some studying there and checked some herds, we found that $6 million would take care of the needs.

EMERGENCY CONSERVATION PROGRAM

The Emergency Conservation Program, which relates to weather-related disasters such as those that have occurred in our western States of California, Nevada, Colorado, and Utah this year, has exhausted its funding. This is a program that has been in place in the past and is used in the case of farmland that is rendered unproductive by a natural disaster. The program provides assistance in bringing this land back into production.

COMMODITY CREDIT CORPORATION

And certainly, Mr. Chairman, I should mention the outlays of the Commodity Credit Corporation. Again, because of the higher than normal amount of commodity loans that we made on 1985 production and also because of participation in the 1986 commodity programs, we are going to have a greater outlay exposure than anticipated and will need additional funding there also.

Mr. WHITTEN. What do you mean by "exposure"? You are using lots of words that are not normally used in presenting your side of this program. I just wonder why.

Mr. HERTZ. Relating to the 1986 provisions for the commodity programs, we find that we have probably the highest participation we have ever had. With the participation come advance deficiency payments and later during the crop year will be final payments. Our estimates are based on projections that participation is running very, very high.

Mr. WHITTEN. Go ahead.

Mr. HERTZ. Mr. Chairman, at this point I would open it to further questions.

[CLERK'S NOTE.—The prepared statement of Mr. Hertz appears on pages 790 through 794. The explanatory notes appear on pages 795 through 919.]

ADMINISTRATIVE SUPPORT

Mr. WHITTEN. How many additional people do you expect to have? How many employees do you have now?

Mr. HERTZ. We have approximately 10,500 permanent, full-time county office employees in the agency.

Mr. WHITTEN. How many does the recommendation cover?

Mr. HERTZ. The request for the supplemental is mostly to cover the cost of additional temporary employees, not permanent employees.

Mr. WHITTEN. Could you separate the two?

Mr. HERTZ. The $71.6 million would relate to approximately 3,100 staff-years, almost all of which would be temporary employment.

Mr. WHITTEN. Those are in addition to your normal workload?

Mr. HERTZ. Yes. Most of those people are on board now under terms of a deficiency apportionment, and we would not be adding many more people. However, we urgently need funding to avoid an agency shutdown in late July.

CONSERVATION RESERVE

Mr. WHITTEN. The Food Security Act of 1985 provides for a paid conservation reserve that you are estimating will cost $190 million in fiscal year 1986 and $550 million in fiscal year 1987. Payments under this program will be made out of the Commodity Credit Corporation rather than by direct appropriation for fiscal years 1986 and 1987. You are using this new program as a basis for canceling all of the other ASCS conservation programs, such as ACP, Forestry Incentives Program, and Water Bank Program. Would you please describe in detail for the Committee why you are taking the position that this program can replace these three conservation programs?

Mr. HERTZ. The proposed reductions in these areas are consistent with the Administration's philosophy of shifting the responsibility for financing the costs of conservation measures back to State, local, and private sources and focusing Federal assistance on the most seriously eroding areas under the Conservation Reserve Program—CRP.

We do not expect that the Conservation Reserve Program will entirely replace the three conservation programs under ASCS. We do feel, however, that the CRP will better and more efficiently meet the critical erosion problems our country faces, given limited financial resources. Furthermore, we think that for conservation activities not funded through ASCS or other Federal, State, or local programs, landowners will recognize the value of continuing their investment in proven conservation practices, and continue to do so on their land at their own expense.

The CRP is similar to the targeting portion of ACP, which directed funds to critically eroding areas. In FY 1985, 10 percent of ACP funds, or $19 million, was targeted to about 350,000 acres. In addition, approximately 5 percent of Forestry Incentives Program funds or about $560,000, was used to plant trees on highly erodible cropland in 1985. Land eroding at greater than 3 times the acceptable soil loss tolerance level will continue to be eligible for treatment under the CRP. Also, the swampbuster provisions of the Food Security Act, which will discourage drainage of wetlands by producers who participate in commodity price support programs, will reduce the need for water bank contracts funded through the Water Bank Program.

Mr. WHITTEN. The Government's main function under the Conservation Reserve will be to provide payments for taking the land out of production and to pay half the cost of establishing permanent vegetative cover. How much of the $190 million and the $550 million will go to payments for establishing permanent vegetative cover?

Mr. HERTZ. It is estimated that $175 million of the $190 million in FY 1986 and $350 million of the $550 million in FY 1987 will be used for vegetative cover cost-share payments. These numbers are based on enrollment of up to 15 million acres for the first 2 years of the program.

AGRICULTURAL CONSERVATION PROGRAM

Mr. WHITTEN. Would you please list for the record all of the regular and special practices of ACP that were carried out in fiscal year 1985 and the percentage of the $190 million available in 1985 that was devoted to each of those practices?

Mr. HERTZ. Statistical data for individual practices is not yet available for the FY 1985 ACP, but I can provide a table showing the practices used and the percent of total cost-shares paid in FY 1984.

[The information follows:]

FY 1984 ACP

	Practice	Percent of total cost-shares
SL1	Permanent vegetative cover establishment	15.76
SL2	Permanent vegetative cover improvement	9.07
SL3	Stripcropping systems	1.15
SL4	Terrace systems	11.54
SL5	Diversions	1.72
SL6	Grazing land protection	4.84
SL7	Windbreak restoration or establishment	.56
SL8	Cropland protective cover	3.28
SL9	Farmstead and feedlot windbreak	1.10
SL11	Permanent vegetative cover on critical areas	1.54
SL13	Contour farming	.21
SL14	Reduced tillage systems	2.31
SL15	No-till systems	5.64
WC1	Water impoundment reservoirs	3.60
WC2	Spreader ditches and dikes	.10
WC3	Rangeland moisuture conservation	.03
WC4	Irrigation water conservation	14.03
WP1	Sediment retention erosion or water control structures	5.25
WP2	Stream protection	.09
WP3	Sod waterways	6.61
WP4	Animal waste control facilities	2.31
FR1	Forest tree plantations	2.11
FR2	Forest tree stand improvement	.52
FR3	Site preparation for natural regeneration	.01
WL1	Permanent wildlife habitat	.25
WL2	Shallow water area for wild waterfowl	.21
ACR1	Permanent vegetative cover establishment	5.02
ACR2	Forest tree plantations	.06
SP1	Plugging artesian wells	.03
SP7	Underground drainage systems	.01
SP10	Streambank stabilization	.20
SP24	Raising clod-form subsoil to prevent blowing	.07
SP25	Subsoiling	.01
SP31	Interim wildlife food and cover	.01
SP35	Water management systems for pollution control	.62
SP37	Forest fire/forest management access roads	.01
SP38	Forest tree stand improvement/fuelwood utilization	.06
SP39	Nitrogen management	.01
SP40	Erosion control in a crop management system	.03
SP44	Stand analysis for forest management planting	.01
SP45	Land smoothing for salinity control	.02
	Total	100.00

Mr. WHITTEN. In view of the current economic plight of farmers, why do you feel that they will be able to carry out all of these other conservation programs and practices that will no longer be available when only funds for vegetative cover are available?

Mr. HERTZ. Mr. Chairman, we believe that farmers realize the economic importance of conservation and consider it a necessary business investment. In addition, many States are increasing their programs to assist farmers in carrying out conservation measures.

Mr. WHITTEN. What will become of the Acreage Conservation Reserve Program you are now operating under the ASCS program?

Mr. HERTZ. The Acreage Conservation Reserve was a special project carried out under the 1984 ACP. Approximately $13.9 million was allocated to States for the establishment of permanent vegetative cover and forest tree plantations with a cost-share rate of 90 percent. The ACR effectively removed over 184,000 acres of highly erodible land from production for a minimum of 6 years. This special project was not offered under the ACP in 1985 or 1986.

Mr. WHITTEN. What would happen to existing long-term agreements if ACP were terminated?

Mr. HERTZ. Existing contracts would be honored. Funds for the full amount of the long-term agreement are committed at the time the agreement is signed. Therefore, funds are already obligated and available for payments to farmers as practices are completed.

VARIABLE COST-SHARE LEVEL (VCSL) PROJECT

Mr. WHITTEN. You mention that during fiscal year 1985, 264 counties participated in the variable cost-share program under ACP. Would you please discuss this in greater detail, explaining how the variable cost-share worked and giving some examples?

Mr. HERTZ. The variable cost-share level project was started in FY 1982 to better relate cost-share levels to the severity of the erosion and the amount of soil saved. Currently there are 299 counties participating in the VCSL project. Participation is voluntary due to uncertainty over the accuracy of the soil erosion equations in some areas of the country and because soil surveys are not complete or current in all counties. Under the VCSL, the cost-share level is based on the pretreatment erosion rate, the soil loss tolerance, and the percentage reduction in the rate of soil loss.

For example, assume that two soils, X and Y, both have a soil loss tolerance of 4 tons per acre per year and both are eroding at 12 tons per acre per year before the application of conservation practices. The practice applied on soil X reduces the average erosion rate to 8 tons per acre per year, while the practice applied on soil Y reduces the average rate to 4 tons per acre per year. Under the VCSL approach, the resulting ACP contribution to the cost of applying the practices would be 32 percent for soil X and 59 percent for soil Y.

For another example, take the case of soils A and B where both are eroding at an annual rate of 10 tons per acre per year. The average annual soil loss tolerance is 2 tons per acre per year on soil A and 5 tons per acre per year on soil B. Practices applied on both soils bring the erosion rate down to 4 tons per acre annually. The resulting cost-share rates are 75 percent for soil A, which had been eroding at five times its tolerance level, and 42 percent for soil B, which had been eroding at twice its tolerance level.

I can submit for the record a table summarizing the examples I just gave, and another table comparing VCSL and regular ACP results for FY 1985.

[The information follows:]

VCSL EXAMPLES

Soil loss tolerance	Tons per acre per year			Cost-share level percent
	Pretreatment erosion rate	Erosion rate after treatment	Soil saved	
4	12	8	4	32
4	12	4	8	59
2	10	4	6	75
5	10	4	6	42

COMPARISON OF FY 1985 RESULTS

	ACP Average	VCSL
Pretreatment erosion rate (tons per acre per year)	9	17
Tons of soil saved per acre	6	12
Cost-share per ton of soil saved	$.60	$.51

Mr. WHITTEN. Would it make sense to use a variable cost-share rate in connection with the Conservation Reserve Program?

Mr. HERTZ. The Food Security Act of 1985, which authorizes the CRP, directs the Secretary to pay 50 percent of the cost of establishing needed conservation measures on CRP acreage under contract. However, a variable cost-share rate would seem to be a viable option for the Congress to consider for areas where soil surveys are complete.

CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. Would you please provide for the record a table indicating the number of eligible acres, by State, for the Conservation Reserve Program? Would you also include in that table the total number of acres of cropland in each State?

[The information follows:]

TOTAL CROPLAND ACREAGE AND ACREAGE ELIGIBLE FOR CRP

State	Acres of cropland	Eligible acres
Alabama	4,510,300	842,200
Alaska	124,558	0
Arizona	1,206,300	54,400
Arkansas	8,101,500	465,600
California	10,517,700	634,000
Colorado	10,602,700	3,677,600
Connecticut	244,700	47,800
Delaware	519,100	13,900
Florida	3,556,800	388,800
Georgia	6,568,400	766,200
Hawaii	333,200	53,700
Idaho	6,390,100	1,697,700
Illinois	24,727,400	3,053,200
Indiana	13,781,300	1,529,400
Iowa	26,440,700	6,624,200
Kansas	29,118,300	2,525,300
Kentucky	5,934,200	1,431,400
Louisiana	6,408,900	178,300
Maine	953,400	82,100

TOTAL CROPLAND ACREAGE AND ACREAGE ELIGIBLE FOR CRP—Continued

State	Acres of cropland	Eligible acres
Maryland	1,794,400	241,800
Massachusetts	297,200	44,400
Michigan	9,443,100	679,300
Minnesota	23,024,100	1,904,200
Mississippi	7,415,300	1,092,900
Missouri	14,998,400	4,072,600
Montana	17,196,900	4,995,600
Nebraska	20,276,700	3,142,200
Nevada	859,700	192,100
New Hampshire	157,800	23,000
New Jersey	809,400	151,400
New Mexico	2,412,700	543,200
New York	5,912,100	536,300
North Carolina	6,694,800	1,142,000
North Dakota	27,039,200	2,053,900
Ohio	12,447,100	891,100
Oklahoma	11,568,100	1,459,700
Oregon	4,356,400	1,009,800
Pennsylvania	5,896,300	1,142,900
Puerto Rico	407,500	226,500
Rhode Island	27,200	2,500
South Carolina	3,578,700	214,300
South Dakota	16,947,200	1,655,600
Tennessee	5,592,100	1,589,600
Texas	33,319,600	11,465,300
Utah	2,038,700	329,300
Vermont	648,400	49,500
Virginia	3,396,900	606,300
Virgin Islands	800	0
Washington	7,793,400	1,582,400
West Virginia	1,093,100	203,700
Wisconsin	11,456,800	1,830,300
Wyoming	2,587,400	350,100
Total	421,527,058	69,489,600

Mr. **Whitten**. Would you please provide for the record a table showing how the $190 million was used, by State, during fiscal year 1985 under ACP, and how you anticipate the $190 million under the Acreage Conservation Reserve will be used in 1986, by State?

[The information follows:]

CONSERVATION FUNDING

State	FY 1985 ACP allocation	FY 1986 CRP[1]
Alabama	$5,045,700	$1,405,054
Alaska	237,000	1,691
Arizona	2,263,700	0
Arkansas	3,725,100	421,725
California	4,880,500	313,776
Colorado	5,333,000	3,493,548
Connecticut	343,000	0
Delaware	229,000	0
Florida	3,562,600	522,149
Georgia	4,832,000	1,638,899
Hawaii	534,750	0
Idaho	3,257,000	336,476
Illinois	5,968,600	777,389

CONSERVATION FUNDING—Continued

State	FY 1985 ACP allocation	FY 1986 CRP[1]
Indiana	$4,348,900	$167,355
Iowa	7,471,000	1,492,723
Kansas	5,670,000	1,708.275
Kentucky	4,683,900	878,693
Louisiana	3,384,000	117,093
Maine	2,295,000	35,198
Maryland	1,070,600	9,814
Massachusetts	478,700	1,188
Michigan	4,298,900	164,036
Minnesota	6,241,800	2,840,313
Mississippi	4,807,700	1,525,517
Missouri	8,035,800	1,759,684
Montana	4,906,800	583,991
Nebraska	5,076,300	1,512,849
Nevada	936,050	0
New Hampshire	557,000	0
New Jersey	564,000	1,764
New Mexico	2,150,000	950,868
New York	4,773,300	123,803
North Carolina	4,006,500	216,900
North Dakota	3,855,000	574,483
Ohio	4,242,700	130,294
Oklahoma	5,254,300	1,037,403
Oregon	3,937,900	759,495
Pennsylvania	4,562,000	89,114
Puerto Rico	596,000	0
Rhode Island	59,000	0
South Carolina	2,495,800	485,734
South Dakota	2,968,000	457,656
Tennessee	4,912,600	1,108,033
Texas	16,927,000	1,076,285
Utah	4,077,000	257,283
Vermont	907,600	288
Virginia	3,101,500	109,857
Virgin Islands	20,000	0
Washington	4,832,000	868,315
West Virginia	1,546,900	2,880
Wisconsin	4,870,300	462,010
Wyoming	1,881,000	149,436
NSCP	100,000	....
Total	187,114,800	30,569,338

[1] First signup. A second signup is scheduled for May 5 to 16.

Mr. WHITTEN. If you anticipate that the Conservation Reserve will cost $190 million in fiscal year 1986 and $550 million in fiscal year 1987, what will be the estimated cost of the program through fiscal year 1991, by year?

Mr. HERTZ. I will provide that information for the record.

[The information follows:]

CRP ESTIMATED COSTS

Fiscal year	Acres	Rental payment[1]	Cost-share payment	Total payments
1986	5,000,000	....	[2] $190,000,000	$190,000,000
1987	10,000,000	$200,000,000	350,000,000	550,000,000
1988	10,000,000	600,000,000	350,000,000	950,000,000
1989	10,000,000	1,250,000,000	350,000,000	1,600,000,000

CRP ESTIMATED COSTS—Continued

Fiscal year	Acres	Rental payment [1]	Cost-share payment	Total payments
1990	5,000,000	1,900,000,000	175,000,000	2,075,000,000
1991		2,125,000,000		2,125,000,000
Total	40,000,000	6,075,000,000	1,415,000,000	7,490,000,000

[1] Initial rental payments for 1986 through 1990 crops are paid in the following fiscal year and continue for 10 years.
[2] Include: $15 million for startup costs involving technical assistance for the 1986 crop year.

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

Mr. WHITTEN. Since you are proposing to terminate the ACP program, will any funds be available for salinity control work directed at reducing the salt loading in the Colorado River?

Mr. HERTZ. Funds will not be available for agricultural salinity control work in the Colorado River Basin if ACP is terminated, unless the USDA salinity control program authorized by the Colorado River Basin Salinity Control Act of 1974, as amended by P.L. 98-569, is funded and implemented.

Mr. WHITTEN. Would you please provide for the record a history of ACP funds that were used to assist in Colorado River salinity control work?

[The information follows:]

SALINITY CONTROL FUNDING UNDER ACP

Fiscal year	Colorado	Utah	Total
1979	$1,700,000		$1,700,000
1980	1,700,000	$2,000,000	3,700,000
1981	1,700,000	2,000,000	3,700,000
1982	1,700,000	2,000,000	3,700,000
1983	1,000,000	3,000,000	4,000,000
1984	1,700,000	2,000,000	3,700,000
1985	1,200,000	2,000,000	3,200,000
1986 [1]	400,000	400,000	800,000
Total	11,100,000	13,400,000	24,500,000

[1] Through Apr. 18, 1986.

EMERGENCY CONSERVATION PROGRAM

Mr. WHITTEN. What is the current unobligated balance for the Emergency Conservation Program?

Mr. HERTZ. All FY 1986 funds available for the ECP have been allocated to States where natural disasters have occurred. The unobligated balance of $4,122,623 on March 31, 1986, has been allocated for specific disasters based on requests from various States, and will be obligated as soon as SCS technical assistance work is completed.

Mr. WHITTEN. When do you anticipate that these funds will be exhausted?

Mr. HERTZ. ECP funds are now exhausted. ASCS has requests on hand of about $4 million from western States with extensive flood damage that cannot be funded at this time.

Mr. Whitten. What is the basis for not requesting any funds for the Emergency Conservation Program?

Mr. Hertz. Funds were not requested for this program because of the need for fiscal restraint and the Administration's desire to focus financial assistance on the most seriously eroding areas under the Conservation Reserve Program.

Mr. Whitten. Should Gramm-Rudman be in place during fiscal year 1987, it could be extremely difficult to provide any supplemental funding. What would happen if you had a major emergency in this country? Do you have access to any other funds?

Mr. Hertz. ASCS does not have access to other funds and would recommend, in the absence of an emergency program of this nature, that cropland damaged by natural disasters be covered under Federal Crop Insurance provisions.

ASCS BUDGET REQUEST

Mr. Whitten. What was the ASCS budget request for fiscal year 1987, by program, that was submitted to the Secretary? What was the Department's budget request for ASCS, by program, that was submitted to OMB?

[The information follows:]

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE FY 1987 AGENCY AND DEPARTMENT REQUEST

[Dollars in thousands]

	Agency request	Department request
Salaries and Expenses Transfer from CCC	($400,472)	($389,496)
Agricultural Conservation Program	151,050	
Water Bank Program	8,360	
Emergency Conservation Program	4,750	
Forestry Incentives Program	12,500	
Colorado River Basin Salinity Control Program	13,400	7,000
Total	190,060	7,000

WATER BANK PROGRAM

Mr. Whitten. You propose to terminate the Water Bank Program. What assurances have you received that the States will assume responsibility for this program, as you propose?

Mr. Hertz. State Governments have not provided assurances that they will assume responsibility for the WBP. However, we believe the respective States recognize the benefits of the program and would adjust State funding priorities to assume it to the extent possible. In addition, the Department of Interior has a dedicated source of funding for wildlife habitat preservation authorized by the Migratory Bird Conservation Act through the sale of duck stamps. Finally, the "swampbuster" provision of the Food Security Act will encourage preservation of wetlands in the future by denying benefits for major farm programs to producers who convert wetlands to crop use, unless the impact is found to be minimal.

Mr. **Whitten**. Would you please provide for the record a detailed history of the Water Bank Program and its accomplishments over the years?

Mr. **Hertz**. The Water Bank Program was authorized by the Water Bank Act, P.L. 91-559, enacted in December 1970, as amended by P.L. 96-182, enacted January 2, 1980. I will submit for the record a list of program objectives and a table showing its accomplishments.

[The information follows:]

WBP OBJECTIVES

Preserve, maintain, and improve the nation's wetlands.

Conserve surface waters.

Preserve and improve habitat for migratory waterfowl and other wildlife resources.

Reduce wind erosion and runoff.

Contribute to flood control.

Improve water quality and reduce stream sedimentation.

Improve subsurface moisture.

Reduce the number of acres of new land coming into agricultural production and retire some lands from agricultural production.

Enhance the natural beauty of the landscape.

Promote comprehensive and total water management planning.

Secure other environmental benefits.

WBP ACCOMPLISHMENTS

Program year	Number of agreements	Acres under agreement			Annual payment
		Total	Wetlands	Adjacent	
1972[1]	516	35,817	11,960	23,857	$515,040
1973[1]	417	46,396	13,500	32,896	797,639
1974[1]	917	91,981	29,627	62,354	1,413,024
1975[1]	685	73,931	23,309	50,622	933,116
1976	526	61,389	16,492	44,897	898,195
1977	720	107,099	23,135	83,964	1,818,965
1978	570	71,287	18,584	52,703	1,192,108
1979	709	78,538	21,455	57,083	1,330,397
1980	557	61,662	18,011	43,651	1,103,100
1981	279	26,741	8,363	18,378	397,369
1982	521	44,865	15,394	29,471	687,779
1983	515	50,130	15,145	34,985	806,578
1984	520	53,374	19,935	33,439	799,757
1985	488	50,564	19,616	30,948	759,886
1986[2]	8	328	79	249	5,082
Total	7,948	854,102	254,605	599,497	13,458,035

[1] Agreements have expired.

[2] The agreements were entered into in 1985. Since compliance could not be rendered during 1985, the agreements were given the beginning date of January 1, 1986.

Mr. **Whitten**. What do you anticipate will be the environmental impact of terminating the Water Bank Program?

Mr. **Hertz**. As mentioned, the Department of the Interior administers other programs to enhance and conserve migratory waterfowl habitat. In some States farmers will be able to obtain needed aid under State-operated programs. A number of farmers who recognize the ecological value of wetlands will continue to maintain them at their own expense. Also, the swampbuster provisions of the Food Security Act will discourage drainage of wetlands by producers who wish to participate in commodity programs.

RURAL CLEAN WATER PROGRAM

Mr. WHITTEN. Would you please provide for the record a rather detailed description of each of the 21 rural clean water projects, where they are located, what their purpose is, what their estimated total cost will be, and what the obligations are to date?

[The information follows:]

Rural Clean Water Program Projects

Lake Tholocco, Alabama

The project, located in Dale County, Alabama, includes 115 farms containing 9,270 critical acres. The project area includes a 600-acre lake and its 51,400-acre drainage area.

The objectives of the project are to (1) reduce fecal coliform concentrations to levels that allow body contact recreation in the lake, (2) reduce sediment delivery by treating critically eroding acres, and (3) improve the aesthetics of the lake by reducing turbidity after major storms.

The estimated cost of the project is $1,896,150. Included in this amount is $486,702 for technical assistance distributed among the Soil Conservation Service (SCS), Economic Research Service (ERS), Extension Service (ES), Forest Service (FS), and Environmental Protection Agency (EPA) and $1,409,448 for best management practice (BMP) cost-shares. All of the technical assistance funds and $1,326,000 of the BMP cost-share funds have been obligated.

Appoquinimink, Delaware

The project, located in New Castle, Delaware, includes 160 farms containing 13,000 critical acres.

The objectives of the project are to (1) reduce bacterial contamination originating from animal waste systems, (2) reduce chemical and nutrient runoff, and (3) to reduce sediment in streams.

The estimated cost of the project is $1,059,940. Included in this amount is $146,151 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $913,789 for BMP cost-shares. All of the technical assistance funds and $861,996 of the BMP cost-share funds have been obligated.

Taylor Creek-Nubbin Slough, Florida

The project, located in Martin and Okeechobee Counties, Florida, includes 56 farms containing 63,109 critical acres.

The objective of the project is to alleviate high nutrient loads coming from the drainage basin.

The estimated cost of the project is $1,598,865. Included in this amount is $494,615 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $1,104,250 for BMP cost-shares. All of the technical assistance funds and $968,781 of the BMP cost-share funds have been obligated.

Rock Creek, Idaho

The project, located in Twin Falls County, Idaho, includes 272 farms containing 29,286 critical acres.

The objective of the project is to reduce sediment, phosphorus, nitrogen, and fecal coliform concentration levels.

The estimated cost of the project is $4,426,734. Included in this amount is $1,339,143 for technical assistance distributed among the SCS, ERS, CES, FS, and EPA; $1,133,000 for comprehensive monitoring and evaluation (CM&E); and $1,954,591 for BMP cost-share assistance. All of the technical assistance and CM&E funds, and $1,642,215 of the BMP cost-share funds, have been obligated.

Highland Silver Lake, Illinois

The project, located in Madison County, Illinois, includes 101 farms containing 6,525 critical acres. The 600-acre lake is the public water supply for the city of Highland, as well as the nearby communities of St. Jacob, Grantfolk, and Pierron.

The objectives of the project are to reduce nonpoint source inputs and test programs for accomplishing nonpoint source reductions.

The estimated cost of the project is $3,841,550. Included in this amount is $1,194,668 for technical assistance distributed between the SCS, ERS, CES, FS, and EPA; $1,285,757 for CM&E; and $1,361,125 for BMP cost-share assistance. All of the technical assistance and CM&E funds, and $1,178,715 of the BMP cost-share funds, have been obligated.

Prairie Rose Lake, Iowa

The project, located in Shelby County, Iowa, includes 44 farms containing 3,920 critical acres.

The objectives of the project are to (1) improve the water quality problems in the lake by implementing BMP's on pasture and cropland and (2) reduce sediment delivery rate.

The estimated cost of the project is $705,186. Included in this amount is $258,986 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $446,200 for BMP cost-shares. All of the technical assistance funds and $386,886 of the BMP cost-share funds have been obligated.

Upper Wakarusa, Kansas

The project, located in Osage, Shawnee, and Wabaunsee Counties, Kansas, includes 485 farms containing 12,159 critical acres.

The objective of the project is to reduce sediment loads to attain goals of fishable and swimmable waters.

The estimated cost of the project is $2,276,421. Included in this amount is $785,773 for technical assistance distributed among the SCS, ERS, ES, and EPA and $1,490,648 for BMP cost-shares. All of the technical assistance funds and $908,000 of the BMP cost-share funds have been obligated.

Bonne Idee, Louisiana

The project, located in Morehouse Parish, Louisiana, includes 225 farms containing 66,000 critical acres.

The objective of the project is to abate nonpoint source pollution (sediment and toxic materials) to levels compatible with State water quality standards.

The estimated cost of the project is $5,237,112. Included in this amount is $1,307,112 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $3,930,000 for BMP cost-shares. All of the technical assistance funds and $3,902,642 of the BMP cost-share funds have been obligated.

Double Pipe Creek, Maryland

The project, located in Carroll County, Maryland, includes 240 farms containing 18,180 critical acres.

The objectives of the project are to (1) reduce high fecal coliform organism levels and (2) reduce sediment loads.

The estimated cost of the original project was $3,782,219. Included in this amount was $880,786 for technical assistance distributed among the SCS, ERS, ES, and EPA and $2,901,433 for BMP cost-shares. All of the technical assistance funds and $2,521,954 of the BMP cost-shares funds have been obligated. In FY 1986 the project was tentatively expanded and an additional $7,036,269 million earmarked for improved water quality in impaired Maryland streams that drain into the Chesapeake Bay. However, if $6 million of RCWP funds were rescinded, final approval of the expansion would be denied and the funds recently allocated for project expansion would be returned to the national contingency reserve.

Westport River, Massachusetts

The project, located in Bristol County, Massachusetts, includes 15 farms containing 840 critical acres.

The objectives of the project are to (1) reduce the amount of animal and/or milkhouse waste, (2) reduce the volume of sediment and sediment-related pollutants, and (3) reduce the amount of phosphates and related pollutants entering the river.

The estimated cost of the project is $791,433. Included in this amount is $187,981 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $603,452 for BMP cost-shares. All of the technical assistance funds and $390,184 of the BMP cost-share funds have been obligated.

Saline Valley, Michigan

The project, located in Monroe and Washtenaw Counties, Michigan, includes 351 farms containing 42,400 critical acres.

The objectives of the project are to (1) improve the water quality in Mill Creek and the Saline River for recreation and drinking purposes, and (2) reduce sediment deposition in impoundments.

The estimated cost of the project is $2,770,998. Included in this amount is $882,892 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $1,888,106 for BMP cost-shares. All of the technical assistance funds and $1,562,548 of the BMP cost-share funds have been obligated.

Garvin Brook, Minnesota

The project, located in Winona County, Minnesota, includes 112 farms containing 9,830 critical acres.

The objectives of the project are to (1) reduce animal waste loading to the stream and ground water and (2) reduce chemical pollution of ground water.

The estimated cost of the project is $1,882,937. Included in this amount is $427,937 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $1,455,000 for BMP cost-shares. All of the technical assistance funds and $759,591 of the BMP cost-share funds have been obligated.

Long Pine Creek, Nebraska

The project, located in Brown County, Nebraska, includes 123 farms containing 54,212 critical acres.

The objectives of the project are to (1) reduce the delivery of sediment, (2) reduce the deep percolation of irrigation water containing fertilizers and pesticides, and (3) reduce nonpoint source pollution from livestock and dairy operations.

The estimated cost of the project is $2,205,172. Included in this amount is $849,297 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $1,355,875 for BMP cost-shares. All of the technical assistance funds and $722,418 of the BMP cost-share funds have been obligated.

Tillamook Bay, Oregon

The project, located in Tillamook County, Oregon, includes 95 farms containing 8,723 critical acres.

The objectives of the project are to (1) reduce fecal coliform bacteria, and (2) to reduce sediment loading.

The estimated cost of the project is $4,293,790. Included in this amount is $608,512 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $3,685,278 for BMP cost-shares. All of the technical assistance funds and $3,195,507 of the BMP cost-share funds have been obligated.

Conestoga Headwaters, Pennsylvania

The project, located in Berks and Lancaster Counties, Pennsylvania, includes 400 farms containing 16,000 critical acres.

The objective of the project is to reduce animal wastes, nitrates, phosphates, and sediment entering surface waters.

The estimated cost of the project is $3,138,116. Included in this amount is $904,539 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA, $1,292,377 for BMP cost-shares, and $941,200 for CM&E. All of the technical assistance and CM&E funds, and $740,843 of the BMP cost-share funds, have been obligated.

Oakwood-Lake Poinsett, South Dakota

The project, located in Brookings, Hamlin, and Kingsbury Counties, South Dakota, includes 304 farms containing 79,450 critical acres.

The objective of the project is to reduce the amount of soluble nitrogen and pesticides, animal wastes, sediment, and sediment-related pollutants entering waterways and lakes.

The estimated cost of the project is $2,927,091. Included in this amount is $911,304 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA, $1,240,887 for BMP cost-shares, and $774,900 for CM&E. All of the technical assistance and CM&E funds, and $741,403 of the BMP cost-share funds, have been obligated.

Reelfoot Lake, Tennessee and Kentucky

The project, located in Obion and Lake Counties, Tennessee, and Fulton County, Kentucky, includes 593 farms containing 52,072 critical acres.

The objectives of the project are to (1) reduce sedimentation to levels which will permit the life of the lake to be extended indefinitely, and (2) to reduce pesticides and plant nutrients entering the lake.

The estimated cost of the project is $4,827,229. Included in this amount is $1,299,445 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $3,527,784 for BMP cost-shares. All of the technical assistance funds and $2,008,013 of the BMP cost-share funds have been obligated.

Snake Creek, Utah

The project, located in Wasatch County, Utah, includes 14 farms containing 489 critical acres.

The objectives of the project are to (1) determine specific sources and concentrations of nonpoint agricultural pollution in the Snake Creek and (2) assess the value of specific BMP's by conducting a continuous water quality monitoring program.

The estimated cost of the project is $307,486. Included in this amount is $156,172 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $151,314 for BMP cost-shares. All of the BMP cost-share and technical assistance funds have been obligated.

St. Albans Bay, Vermont

The project, located in Franklin County, Vermont, includes 64 farms containing 15,257 critical acres. The waters of the bay and its feeder streams are used for drinking, swimming, fishing, and noncontact recreational uses.

The objectives of the project are to (1) reduce the amount of phosphorous and other nutrients entering the bay by proper storage and application of manure and milkhouse waste and (2) reduce contaminated barnyard runoff, reduce cropland soil erosion, protect streambanks and provide proper fertilizer management.

The estimated cost of the project is $4,127,225. Included in this amount is $869,081 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA, $1,682,144 for BMP cost-shares, and $1,576,000 for CM&E. All of the technical assistance and CM&E funds, and $1,635,035 of the BMP cost-share funds, have been obligated.

Nansemond-Chuckatuck, Virginia

The project, located in Isle of Wight and Suffolk Counties, Virginia, includes 142 farms containing 18,749 critical acres.

The objectives of the project are to (1) reduce fecal coliform organisms to within tolerable limits, (2) reduce turbidity and sediment loadings, and (3) reduce the amount of plant nutrients and pesticides being discharged into local streams and reservoirs.

The estimated cost of the project is $2,351,963. Included in this amount is $630,963 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $1,721,000 for BMP cost-shares. All of the technical assistance funds and $1,236,117 of the BMP cost-share funds have been obligated.

Lower Manitowoc, Wisconsin

The project, located in Brown, Calumet, and Manitowoc Counties, Wisconsin, includes 314 farms containing 23,598 critical acres.

The objectives of the project are to (1) reduce agricultural phosphorous from nonpoint sources, and (2) reduce fecal coliform counts.

The estimated cost of the project is $2,516,114. Included in this amount is $649,088 for technical assistance distributed among the SCS, ERS, ES, FS, and EPA and $1,867,026 for BMP cost-shares. All of the technical assistance funds and $1,744,144 of the BMP cost-share funds have been obligated.

Mr. WHITTEN. In fiscal year 1986 you show an obligation of $10 million in the State of Maryland. Why do you estimate such a large obligation under the Rural Clean Water Program in the State of Maryland during fiscal year 1986?

Mr. HERTZ. In line with the Administration's support for Chesapeake Bay cleanup efforts, ASCS has tentatively approved a $7 million expansion of the critical area boundaries of the Maryland project to provide a broader data base for the Bay study and, in turn, to supply additional monitoring and technical expertise to further treat impairments. Because the existing Maryland project was located in the bay area and many of the Maryland area streams are impaired, that project was an ideal choice for expansion to assist in the Chesapeake Bay effort. Three of the $10 million originally estimated for Maryland is now earmarked for other projects based on needs demonstrated by the annual update of work plans completed each February.

Mr. WHITTEN. You are proposing to rescind $6 million of the funds previously appropriated for the Rural Clean Water Program based on your estimate that $64 million rather than $70 million is all that will be required to fully complete all projects under this program. Should these funds be rescinded, what would happen if your estimates are wrong and the costs are actually higher than you have estimated?

Mr. HERTZ. If it became necessary to provide increased funding for completion of a project, the necessary amount would be transferred from the approximately $7 million set aside for the expansion of the Maryland project.

CCC REIMBURSEMENT FOR NET REALIZED LOSSES

Mr. WHITTEN. The fiscal year 1987 budget proposes a permanent, indefinite appropriation for the Commodity Credit Corporation. The estimate of the budget authority required for fiscal year 1987 is $16-plus billion. Congress has repeatedly rejected your proposals for a permanent, indefinite appropriation, therefore, a specific appropriation will likely be made in the appropriation bill. How confident are you that your estimate of $16 billion is accurate?

Mr. HERTZ. The $16.8 billion in appropriations requested in the Budget under permanent, indefinite authority was the best estimate possible in January 1986, but will be subject to revision for program announcements made subsequent to the January estimates, later enacted legislation, and updated supply/demand estimates as the year progresses. As you know, it is virtually impossible to accurately project CCC spending requirements for crops not yet planted. Therefore, there is considerable likelihood that our actual appropriation needs will be more, or less, than the Budget estimate. Our request for permanent, indefinite budget authority reflects this likelihood in recognition that it would avoid frequent supplemental requests when economic and market conditions cause our estimates to vary.

Mr. WHITTEN. For each of the last fiscal years would you please show the amount that was originally contained in the President's Budget for that fiscal year and the amount that actually had to be appropriated for restoration of capital impairment?

Mr. **Hertz**. I will furnish a table indicating the original amounts requested in the President's Budget and the amounts subsequently appropriated for fiscal years 1980 to date.

[The information follows:]

COMMODITY CREDIT CORPORATION—APPROPRIATION REQUESTS AS REFLECTED IN PRESIDENT'S BUDGET AND APPROPRIATIONS RECEIVED, FY 1980 TO DATE

[In thousands of dollars]

Fiscal year	President's budget	Appropriation received
1980	$3,056,189	$3,056,189
1981	3,299,887	3,299,887
1982	[1] 2,295,856	[1] 7,043,229
1983	[2] 3,783,244	16,173,514
1984	10,173,636	9,673,636
1985	8,698,269	12,285,790
1986	[2] 13,332,030	[3] 19,632,926
1987	[2] 16,808,806	

[1] Excludes an increase in CCC Borrowing Authority of $5 billion.

[2] Proposed to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

[3] Appropriations through April 17, 1986.

CCC EXPORT GUARANTEE PROGRAMS

Mr. **Whitten**. The Commodity Credit Corporation guarantees loans made by U.S. banks to finance the sale of agricultural products to foreign governments. Would you please provide for the record the amount of loan guarantees currently outstanding, by country, and indicate the current status of each of these loans.

Mr. **Hertz**. I will furnish a table, by country, showing the amount of loan guarantees outstanding as of March 31, 1986.

[The information follows:]

Commodity Credit Corporation loan guarantees as of March 31, 1986 [1]

[Millions of dollars]

Country	*Balance*
Bangladesh	$50.9
Brazil	568.2
Chile	148.4
Colombia	128.5
Dominican Republic	24.0
Ecuador	170.0
Egypt	477.4
El Salvador	37.4
Guatemala	101.4
Haiti	15.5
Honduras	6.1
Hungary	62.6
Iraq	836.5
Jamaica	83.0
Jordan	25.4
Korea	458.7
Mexico	996.3
Morocco	267.3
Pakistan	73.2
Panama	.6
Peru	89.7
Philippines	124.7
Portugal	604.3
Thailand	11.7

Country	*Balance*
Tunisia	51.4
Turkey	125.3
Yemen	12.2
Yugoslavia	157.8
Total	5,708.5

[1] Reflects contingent liability under CCC Risk Assurance and Export Guarantee Programs. Does not include claims paid by CCC through March 31, 1986.

Payments to U.S. banks from foreign importers are current except for the following countries, which are either behind in their payments to the banks, have completed rescheduling agreements with CCC, or are in the process of rescheduling certain payments coming due under the guaranteed loans:

Brazil payments due from August 1, 1983 through December 31, 1984 have been rescheduled. Another rescheduling has been requested.

Chile has rescheduled payments coming due between July 1, 1985 and December 31, 1986.

Dominican Republic claims have been paid by CCC for payments due. An agreement has been signed by the Dominican Republic to reschedule payments falling due during the period from January 1, 1985 through April 1, 1986.

Jamaica rescheduled payments due from January 1, 1985 through March 31, 1985.

Morocco rescheduled payments due from September 1, 1983 through December 31, 1984. An agreement rescheduling payments falling due between September 1, 1985 and February 28, 1987 has been signed by Morocco and its creditors.

Panama rescheduled payments due from September 15, 1985 through December 31, 1986. The agreement was signed on September 19, 1985.

Peru rescheduled payments due from May 1, 1983 through April 30, 1984. An agreement to reschedule payments falling due between May 1, 1984 and July 31, 1985 has been signed by Peru and its creditors. Claims are being paid by CCC for payments due from Peru.

The Philippines rescheduled payments due from January 1, 1985 through June 30, 1986.

Poland rescheduled payments due from May 1, 1981 through December 31, 1981. An agreement rescheduling payments falling due between January 1, 1982 and December 31, 1984 has been signed by Poland and its creditors.

Romania has rescheduled 1982 and 1983 payments.

Sudan has rescheduled all payments due from July 1, 1981 through December 31, 1984.

Mr. WHITTEN. How much has CCC paid out to date on the loan guarantees to the Polish government, and what is CCC's potential commitment on these loans?

Mr. HERTZ. CCC has made payments in the amount of $1,011.7 million to U.S. banks for payments due from Poland under the loan guarantee program. Of this amount, Poland has repaid CCC $15.9 million and rescheduled $142.9 million. An agreement has been signed by Poland and its Paris Club creditors that will reschedule the remaining balance of $852.9 million.

CCC REVOLVING FUND

Mr. WHITTEN. CCC is a $25 billion revolving fund, however, almost $20 billion of CCC's assets are tied up by loan commitments to foreign governments, loans to farmers, and inventory. In view of this, how much of the $25 billion is actually available to operate as a revolving fund?

Mr. HERTZ. The CCC revolving fund only "revolves" to the extent that its cash outlays for loans and commodity purchases are recycled in the form of loan repayments and related interest payments to CCC, and through sales of inventories. The Corporation's other cash outlays for deficiency and diversion payments, commercial and producer storage, transportation, Treasury interest on CCC borrowings, and other activities have no potential for receipts, and thus do not "revolve." These outlays are therefore nonrecoverable, and together with eventual losses on inventory dispositions, constitute the Corporation's realized losses.

Even though the CCC's nonrecoverable outlays do not revolve, they do not tie up borrowing authority for extended periods since the Congress has kept the Corporation current with regard to actual losses and, in recent years, estimated losses.

At the end of fiscal year 1985, CCC borrowing authority invested in loans and inventories was $19.154 billion. We estimate that the FY 1986 year-end figure will be $26.050 billion and that the FY 1987 year-end figure will be $24.075 billion. The buildup in commodity loans and inventories, which has encumbered increasing portions of total available borrowing authority, demonstrates that loan and purchase outlays are not revolving, on balance. If they were, average investment would decline or stabilize at much lower levels. Using the year-end FY 1986 and FY 1987 figures, only a net of $2 billion will have been recycled from the $26.050 billion available.

While it is not possible to put an exact figure on what part of the fund actually revolves, it is a relatively small part of the fund at the present time, as the loan and inventory figures indicate.

CCC BORROWING AUTHORITY

Mr. WHITTEN. What would the total fund have to be increased to in order to allow it to operate as a true revolving fund as it used to in prior years, and to have sufficient capital so that losses could be restored on an after-the-fact basis?

Mr. HERTZ. A CCC borrowing authority ceiling of $40 billion would be desirable. This level would be high enough to accommodate the existing levels of outstanding loans and inventories and other projected cash needs, and would probably avoid the need for emergency supplementals. However, in order for the CCC fund to operate as a true revolving fund, the farm economy must improve to the point that loans are repaid and CCC stocks are reduced.

CCC RESTORATIONS

Mr. WHITTEN. Would you please describe what happens when an appropriation is made for the restoration of CCC losses?

Mr. HERTZ. All funds coming to the Corporation, including funds appropriated by the Congress to restore CCC losses, are used to repay Treasury borrowings. When funds are appropriated, Treasury issues an appropriation warrant to USDA and the funds are desposited to CCC's credit. CCC then transfers the full amount to Treasury to repay that portion of CCC borrowings outstanding, thereby restoring borrowing authority available.

ON-FARM GRAIN RESERVE

Mr. WHITTEN. Please provide for the Committee an update on the status of the on-farm grain reserve. How many bushels are in reserve, what is the annual cost of the reserve, and what role does ASCS play in the maintenance of this reserve?

Mr. HERTZ. As of April 9, 1986, there were 660.3 million bushels of corn, 71.6 billion bushels of grain sorghum, 95.3 million bushels of barley, 611.1 million bushels of wheat, and 2.7 million bushels of oats in the farmer-held reserve.

Storage payments of $329.0 million were made to producers in fiscal year 1985. The payments are estimated at $475.4 million in fiscal year 1986 and $753.5 million in fiscal year 1987. The loan outlays and loan repayments for the grain reserve program are included with the commodity loan program. Under a new special producer storage loan program, mature grain reserve loans may be renewed for an additional year. Producers continue to receive annual advance storage payments at the same rates currently earned under the reserve program and may repay the loan at any time during the one-year period.

ASCS establishes policy for the reserve program and recommends changes that are needed pertaining to various aspects of the program such as trigger levels, interest charges, and settlement periods. ASCS is also responsible for the day-to-day administration of the reserve including the completion and approval of loan and reserve documents. We also disburse the loan proceeds, make the applicable storage payments to producers, and compute and accept the repayment of reserve loans. In administering the program, we monitor prices to determine when trigger levels are reached and notify producers of their options.

In addition, we monitor the quality of the reserve grain stored on farms. The farm-stored reserve quality requires sampling and inspection of the grain on a random sample basis and notification to producers in cases of questionable quality of the grain. We also develop procedures to ensure that the intent of the program is being carried out and disseminate information to producers.

ANIMAL DAMAGE CONTROL

Mr. WHITTEN. The Department of Agriculture has recently assumed responsibility for the animal damage control program from the Department of Interior. Does CCC still provide the Interior Department with grain for migratory birds? What has been the history of this program?

Mr. HERTZ. CCC provides grain for migratory birds under P.L. 84-654 when requests are made by the Department of the Interior and as long as uncommitted stocks of CCC-owned grain are available. However, no such requests from the Department of Interior have been received by CCC since 1975.

While little recent use has been made of the migratory waterfowl provisions, substantial amounts of CCC-owned grain have been used for feeding resident wildlife in danger of starvation. CCC has donated approximately 870,000 bushels of grain from December 1983 to date for this purpose.

DAIRY TERMINATION PROGRAM

Mr. WHITTEN. The Food Security Act of 1985 provides for a milk production termination program beginning April 1986, under which farmers are to be paid to cease milk production sales for 3-5 years. What effect will this program have on milk production in

1986 thereafter? To what extent will it reduce price support purchases?

Mr. HERTZ. Sign-up data for the Dairy Termination Program, DTP, indicates that program participants will reduce their marketings about 12.2 billion pounds below their 1985 marketings. CCC purchases are expected to total 11.0 billion pounds milk equivalent in FY 1986, approximately 5.5 billion pounds less than would have been expected without the DTP.

The effect on milk production and CCC purchases in later years will depend on actions of non-program participants remaining in dairying. This was recognized in the Food Security Act of 1985 by including a provision that would permit dairy support prices to be adjusted in 1988, 1989, and 1990, based on estimated projections of CCC purchases.

Mr. WHITTEN. How would you monitor the transfer of dairy cows to ensure compliance with program requirements?

Mr. HERTZ. Dairy Termination Program participants are required to certify the disposal means of all dairy cattle in which they have an interest. At the present time, all cattle must be branded with an "X" on the right jaw prior to being removed from the contract unit; however, we are currently reviewing possible alternatives to the hot branding method and expect to issue an announcement soon. The producer must then document, by type of cattle, to whom the dairy cattle were transferred. If there is an intermediate buyer, he must certify the date that those same cattle were resold for either slaughter or export and the person or persons from whom they were purchased. The slaughterer or exporter, in turn, must certify that these cattle were, in fact, either slaughtered or exported.

Our county ASCS office personnel also conduct periodic spot checks to help ensure that participants are complying with the program requirements.

[CLERK'S NOTE: On April 18, it was announced that producers would be allowed to choose the alternative of freeze branding or hot-iron branding. If the hot-iron method is chosen by the producer, it is strongly recommended that an electrical thermostatically-controlled branding iron be used. This would provide uniform heat and would result in a better brand with less chance of accidental injury to the dairy cattle.]

Mr. WHITTEN. Will milk sales assessments cover the cost of payments required for program participants or will funds have to be drawn from CCC?

Mr. HERTZ. The assessments on milk marketings are estimated to be about $650 million and will cover approximately 38 percent of the cost of the DTP.

RED MEAT PURCHASES

Mr. WHITTEN. The Act also requires the purchase of 100 million pounds of red meat through section 32 funds and 100 million pounds of red meat by use of CCC funds. The CCC purchases are to be diverted to the commissaries of the Department of Defense overseas. Will CCC receive any reimbursement from the Defense Department?

Mr. AMSTUTZ. The Act is very specific in its language stating that the Secretary of Agriculture shall use funds available through the CCC to purchase 200 million pounds of red meat, in addition to those quantities normally purchased and distributed by the Secretary, and make such meat available to the Secretary of Defense on a nonreimbursable basis for use in commissaries on military installations located outside the United States. Thus, the CCC by law is not allowed to receive any reimbursement from the Department of Defense for the aforementioned red meat.

Mr. WHITTEN. Is this not a windfall for the Defense Department, and what is the estimated cash value of this windfall?

Mr. AMSTUTZ. The CCC must, by law, totally fund the cost of the red meat supplied to the Department of Defense under this 18-month program. Depending on the amount of red meat that the Department of Defense does in fact deliver to its military commissaries overseas, the best estimate of the cash value of these purchases is $120 to $160 million.

Mr. WHITTEN. How do you propose to carry out these purchases, and when would they start?

Mr. AMSTUTZ. The first official action in USDA's plan to carry out these export purchases was to announce on April 4, 1986, our intent to invite tender offers from the EEC for sale of U.S. high quality beef. The actual invitation to bid will be issued before May 1, 1986. Sales of high quality beef to the EEC would go toward fulfilling our current EEC quota of 10,000 metric tons. In addition, USDA has continued its discussions with a host of countries to determine product needs, with contractual negotiations concerning quantities and price to follow. As soon as quantity and product type information is available to USDA from such countries, we will instruct the Agricultural Marketing Service of USDA to purchase the product—in an orderly fashion—through a bid process.

Mr. WHITTEN. Will ASCS play any role in the section 32 purchases, and if so, how will that program be handled?

Mr. AMSTUTZ. Section 32 funds will not be used to purchase any of the red meat. All funds will come from the Commodity Credit Corporation.

FEDERAL CROP INSURANCE

Mr. WHITTEN. The Food Security Act of 1985 authorizes the Department to transfer funds from the Commodity Credit Corporation to the Federal Crop Insurance Corporation to meet any funding requirements of FCIC. The Department has estimated that approximately $250 million will be transferred during fiscal year 1986. The Act, however, does not authorize any reimbursement for these transfers. Would these transfers to FCIC be restored through the regular restoration of net realized losses to the Corporation, or do they have the effect of decreasing the $25 billion cap on the Corporation by $250 million?

Mr. HERTZ. The FY 1986 transfers to FCIC from CCC are being made in the form of a loan. Until such time as they are repaid by FCIC, either through available FCIC funds or through appropriations to FCIC for repayment to CCC, CCC's available borrowing authority is effectively reduced by $250 million. The transfers reflect an authorized use of CCC's borrowing authority and represent outstanding Treasury borrowings until repaid. The transfers to FCIC could be restored to CCC through the regular restoration of losses process only if they are classified as a loss at some point. This was done, for example, for a similar FCIC transfer under the Federal Crop Insurance Act of 1980.

CCC DISPOSITIONS

Mr. WHITTEN. Would you please provide for the record detailed descriptions of commodities provided out of CCC inventory for other government programs, such as the school lunch program or commodities provided to the military services or Veteran's hospitals? Would you also indicate the quantity that was provided, the market value of the commodity provided, and the reimbursement you received?

Mr. HERTZ. I will submit a table showing the quantities and dollar amounts you have asked for. The entire value of CCC domestic donations is charged off as a loss. The value of export sales to the Department of Defense is partially offset by limited recoveries.

The donation of surplus dairy products to the Veteran's Administration and the Department of Defense is authorized by section 202 of the Agricultural Act of 1949, as amended.

Section 210 of the Agricultural Act of 1956 authorizes the donation of surplus commodities in CCC inventory to Federal penal and correctional institutions.

Institutional donations to "Research and Other" include the donation of cotton to textile schools to be used in the training of students in the processing and manufacturing of cotton into textiles, as well as other miscellaneous donations, as authorized in Section 505 of the Agricultural Act of 1958, as amended.

Surplus commodities are distributed to charitable institutions, non-profit school lunch programs, food banks, hunger centers, soup kitchens, and similar non-profit agencies. Section 416 of the Agricultural Act of 1949, as amended, is the statutory authority for making donations to State, Federal, or private agencies in the United States, including areas under the jurisdiction or administration of the United States.

The Temporary Emergency Food Assistance Act of 1983—TEFAP—authorizes the release of commodities to relieve situations of emergency and distress to needy persons, including low-income and unemployed persons.

[Additional information follows:]

COMMODITY CREDIT CORPORATION
DONATIONS AND SALES TO OTHER GOVERNMENT AGENCIES FROM INVENTORY
FISCAL YEAR 1985 ACTUAL
(thousands of dollars)

		DONATIONS																SALES		
		INSTITUTIONS																		
COMMODITY	UNIT OF MEASURE	RESEARCH AND OTHER		SEC. 202 MILITARY & VET.		SEC. 210 PRISONS		SEC. 416 INSTITUTIONS		TOTAL INSTITUTIONS		SEC. 416 SCHOOL LUNCH		T.E.F.A.P. SEC. 416 NEEDY FAM.		TOTAL DOMESTIC DON.		EXPORT SALES DEPT. OF DEFENSE		
	(000)	QUANT.	VALUE	QUANT.	VALUE	QUANT.	VALUE	QUANT.	VALUE	QUANT.	VALUE	QUANT.	VALUE	QUANT.	VALUE	QUANT.	VALUE	QUANT.	VALUE	RECOVERIES
COTTON UPLAND...	bale	z	10							z	10					z	10			
COTTON ELS......	bale	z	1							z	1					z	1			
CORN PRODUCTS ..	pound									0	0			29504	4044	29504	4044			
WHEAT FLOUR	pound													93078	12321	93078	12321			
RICE, MILLED ...	cwt.					8	143			8	143	230	4412	627	12283	865	16838			
HONEY	pound					375	277	2025	1198	2400	1476	3960	2436	67743	42441	74103	46352			
PEANUTS	pound	48	7							48	7					48	7			
BUTTER	pound	39	81	10812	16518	3172	4836	43873	65754	57896	87188	98276	149883	176460	266796	332792	487926	378	2550	199
BUTTER OIL	pound	z	z							z	z	861	1143			861	1143	109	177	72
CHEESE	pound	54	48	5086	7300	1669	2209	33340	50176	40029	59734	140481	206462	579916	854648	760406	1120842	1630	2236	733
MOZZARELLA CHEESE	pound									0	0	28876	41673			28876	41673			
NONFAT DRY MILK	pound	38	34	1	1	438	419	27916	20175	28392	20629	25889	24294	87084	77346	141366	122263	9179	8683	2387
TOTAL DAIRY PROD.	pound	108	144	15899	23819	5180	7467	105229	142106	126418	173526	291873	417626	846470	1198787	1263559	1769637	11296	13648	3391
TOTAL			162		23819		7877		143304		175162		424372		1269876		1869410		13648	3391

z Less than 500.

CCC INVENTORY

Mr. WHITTEN. Would you please provide for the record the latest available figures on CCC's inventory, giving both quantity and dollar values by commodity?

Mr. HERTZ. I will be glad to furnish a table of the status of CCC inventory as of February 28, 1986.

[The information follows:]

COMMODITY CREDIT CORPORATION—STATUS OF CCC INVENTORY AS OF FEBRUARY 28, 1986

[In millions]

Item	Quantity	Dollars
Corn (bu)	538.1	$1,474.2
Grain Sorghum (bu)	188.1	533.4
Barley (bu)	53.6	114.9
Oats (bu)	2.5	3.3
Total feed grains (bu)	(782.3)	(2,125.8)
Wheat (bu)	568.1	2,218.1
Rice, rough (cwt)	42.3	369.0
Soybeans (bu)	141.4	714.3
Honey (lb)	133.0	102.4
Upland cotton (bales)		60.8
Dairy products:		
Butter (lb)[1]	301.8	461.5
Butter oil (lb)	28.4	49.0
Cheese (lb)[1]	866.1	1,187.8
Milk, dried (lb)	1,272.2	1,137.9
Milk, ultra high temp (lb)	.8	.3
Mozzarella (lb)	.1	.1
Total dairy (lb)	(2,469.4)	(2,836.6)
Sugar, cane (lb)	607.4	107.6
Sugar, beet (lb)	254.6	51.4
All other commodities		44.6
Total inventory		$8,630.6

CONSERVATION PROGRAM STAFFING

Mr. WHITTEN. How many positions are deleted from the ASCS budget in relation to ACP, water bank, and forestry incentives in fiscal year 1987?

Mr. HERTZ. Consistent with the Administration's proposal that regular cost-share conservation programs not be funded beginning in fiscal year 1987, county office staff years in the 1987 budget relating to ACP, Water Bank, and the Forestry Incentive Program were decreased by 620 from FY 1986. In addition, there is a 38 staff-year reduction related to Federal offices. Total funding related to these staff-year reductions is $11.0 million.

Mr. WHITTEN. How many positions are included in the ASCS budget plan in relation to the Conservation Reserve?

Mr. HERTZ. Based on the minimum 10 million acres to be enrolled in the Conservation Reserve Program in 1987, 1,186 staff-years were included in the 1987 budget for county offices.

USER FEES

Mr. WHITTEN. You propose to implement user fees to offset ASCS county office costs. What activities of a county office would charge user fees?

Mr. HERTZ. The proposed user fees would apply to county office activities relating to a producer or program participant receiving a direct benefit from ASCS. A direct benefit is defined as a measurable unit or amount of government service which confers a special benefit on an identifiable recipient. These benefits include wool and mohair incentive payments, deficiency payments, diversion payments, peanut and tobacco marketing cards, grain reserve farm-stored and warehouse-stored commodity loans, and other commodity loans. The fees would recover direct county office administrative costs associated with providing these benefits to the program participant.

Costs relating to administrative and program activity not directly benefiting a producer would not be recovered; for example, no fees would be charged for program signup, general administration costs, yield and base establishment work, local and county committee elections, referenda, and office overhead. Furthermore, conservation program payments will not be affected since they are already on a cost-share basis.

Mr. WHITTEN. What would be the estimated user fees? Would you please give us some examples of the cost per item? Would you please provide for the record your fee schedule, even if it is tentative?

Mr. HERTZ. I will provide for the record a copy of the proposed service fee schedule. The schedule itemizes the proposed service fees and compares them to fees currently being charged. The fees for FY 1987 are tentative, since extensive rulemaking must be undertaken and comments considered before any final action can be taken to implement the proposed fees.

[The information follows:]

ASCS PROPOSED SERVICE FEE SCHEDULE

ITEM	CURRENT		PROPOSED
Farm-Stored Commodity Loans (except Sugar) or Special Producer Storage Loans	$10.00/loan, plus $1.00/bin over one in which loan collateral is stored	a/	$45.00/loan or one percent of total loan amount after Gramm-Rudman reductions, whichever is smaller, but not less than $10.00/loan minimum fee
Warehouse-Stored Commodity Loans (except Cotton) or Special Producer Storage Loans	$6.00/loan, plus $1.00 for each warehouse receipt over one	b/	$25.00/loan or one percent of total loan amount after Gramm-Rudman reductions, whichever is smaller, but not less than $6.00/loan minimum fee
Cotton Warehouse Loans prepared by County Office Personnel	$1.50/loan, plus $.25 for each bale of cotton loan collateral	b/	$8.75/loan, plus $1.25/bale or one percent of total loan amount after Gramm-Rudman reductions, whichever is smaller, but not less than $10.00/loan minimum fee
Cotton Warehouse Loans prepared by Other	$1.50/loan, plus $.25 for each bale of cotton loan collateral	b/	$8.00/loan, plus $.60/bale or one percent of total loan amount after Gramm-Rudman reductions, whichever is smaller, but not less than $6.00/loan minimum fee
Sugar Processor Loans	$10.00/loan	c/	$272.00/loan
Grain Reserve Farm-Stored Loans	none	d/	$62.00/loan or one percent of total loan amount, whichever is smaller, but not less than $15.00/loan minimum fee
Grain Reserve Warehouse-Stored Loans	none		$34.00/loan or one percent of total loan amount, whichever is smaller, but not less than $10.00/loan minimum fee
Wool and Mohair Payments	none		$12.50/check or three percent of producer's total gross payment/check issued, whichever is smaller, but not less than $3.00/check minimum fee
Deficiency Payments	none		$3.00/commodity reflected on advance and final payment checks and certificates
Diversion Payments	none		$4.00/commodity reflected on advance payment checks and certificates and $4.50/commodity reflected on final payment checks and certificates
Peanut Marketing Card	none		$5.50/card issued
Tobacco Marketing Card	none		$6.00/Flue-cured tobacco card issued and $5.00/card issued for all other tobacco varieties

a/ In addition to these fees, locally determined charges will be assessed for measurement services, lien searches, and filing financing statements (lien filings).

b/ In addition to these fees, locally determined charges will be assessed for performing lien searches.

c/ In addition to these fees, locally determined charges will be assessed for performing lien searches and filing financing statements (lien filings).

d/ In addition to these fees, locally determined charges will be assessed for filing financing statement extensions.

NOTE: National estimates of these additional charges are $19 for measurement services, $7 for lien searches and $3 for filing financing statements (lien filings).

Mr. WHITTEN. What is your estimate of the amount of user fees you would collect during fiscal year 1987 if these fees were put in place?

Mr. HERTZ. We estimate $46.3 million will be collected. Our budget request for ASCS Salaries and Expenses reflects a reduction of this same amount.

The $46.3 million in estimated fee collections would of course be impacted by actual program participation, and the actual implementation date of the fees, if different than October 1, 1986. In the event that total fees generated from actual program activity do not materialize to fully cover the estimated collections reflected in the budget, additional CCC transfers are proposed to provide for any shortfall in fee receipts. This is needed because county office operations and staff must be fully funded at the budgeted level, whether the workload involves service fee or non-service fee related operations. Appropriation language providing for such a contingency transfer is included in the FY 1987 Salaries and Expenses budget request.

Mr. WHITTEN. Is legislation required for these user fees in order for you to implement these user fees, and if so, when do you intend to submit such legislation?

Mr. HERTZ. No, additional legislation is not required. Administrative authority necessary to revise or implement new service fees is provided in Section 4(m) of the CCC Charter Act, as amended, and Section 501 of P.L. 82-137, 65 Stat. 290, as amended, commonly referred to as the Independent Offices Appropriation Act.

EMPLOYMENT

Mr. WHITTEN. You are showing a reduction in county office employment of almost 3,500. Is this reduction realistic in view of the many requirements of the Food Security Act of 1985?

Mr. HERTZ. I'm unsure of the 3,500 employment reduction you are referring to. A total of 13,509 county office staff-years is reflected in the 1987 budget. The Budget estimates reflect a 2,122 staff-year reduction from the fiscal year 1986 level of 15,631 and anticipate a county office workload decrease from the extremely high FY 1986 level as well as staff savings as a result of full implementation of our State and County Office Automation Project. However, significant increases in loan forfeitures currently projected, and other program activities required by the Farm Bill but announced after preparation of the Budget, may require us to revise our estimates at a later date.

Mr. WHITTEN. How would your proposed reduction be achieved? What programs would be cut back? What services would be cut back?

Mr. HERTZ. No programs or services would be cut back because of the estimated FY 1987 staff-year reduction. The majority of the reduction reflects 1,500 staff-years for time savings associated with automation as a result of the State and County Office Automation Project. The reduction in 1987 also reflects work completed in FY 1986 for establishing prior years' crop yields and bases under the new Farm Bill requirements, establishing farm record tracts, and loading farm data into the county computers. In addition, the reduction includes 150 county staff-years and $639,000 saved by the proposal to consolidate some ASCS county offices with those of other USDA agencies.

SUPPLEMENTAL REQUEST

Mr. WHITTEN. According to the notes, you will be submitting a supplemental request for fiscal year 1986 in the amount of $71,598,000. When will this supplemental be submitted to Congress?

Mr. HERTZ. The $71,598,000 supplemental funding request for the ASCS Salaries and Expenses account was submitted to Congress in the FY 1987 President's Budget. At the same time, it was shown as a funding requirement within the $7.95 billion supplemental request for the Commodity Credit Corporation, as an increase in transfer authority from CCC to the ASCS Salaries and Expenses account. While the subsequent enactment of P.L. 99-263 on March 24, 1986 technically made these funds available to ASCS, appropriation language authorizing the actual $71,598,000 transfer to the ASCS Salaries and Expenses account is still needed. The appropriation language to provide this increase in transfer authority is included in the General Supplemental, H.R. 4515, currently being considered by the Congress.

Mr. WHITTEN. Is all the $71 million related to the 1985 Farm Bill, and if not, what portion is related to the Farm Bill and what portion is related to other activities?

Mr. HERTZ. Of the $71.6 million requested, 60 percent, or $43 million, is related to the Farm Bill. The remaining 40 percent, or $28.6 million, is primarily related to unprecedented loan activity in our 2,700 county offices and the associated workload at the ASCS Kansas City field offices.

Since the original 1986 budget submission, lower market prices, record crop production and high program participation have caused record commodity loanmaking workload for ASCS county offices. To cite only one example, current estimates for corn, compared to the budget submitted more than a year ago, show an increase of 1.1 billion bushels in production, a 25-cent lower market price, and an 18 percent higher program participation level with 1.9 billion more bushels going under loan, and at least 244 million more bushels being forfeited to CCC. As a result of this high level of activity, our Kansas City operations have also experienced greater workload in acquisition processing, invoicing, farm reconstitutions, and shipping document processing. In addition, operations costs have increased for related ADP and document scanner services.

OBJECT CLASSIFICATION TABLE

Mr. WHITTEN. At this point in the record, would you insert the object classification table from the notes?

[The information follows:]

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE CLASSIFICATION BY OBJECTS—AGENCY SUMMARY

[1985 and Estimated 1986 and 1987]

	1985	1986	1987
Personnel Compensation:			
Headquarters	$18,759,779	$20,255,250	$18,153,000
Field	56,279,335	60,765,750	54,459,000
11 Total personnel compensation	75,039,114	81,021,000	72,612,000
12 Personnel Benefits	9,435,747	10,113,000	9,484,000
13 Benefits for former personnel	784,512	948,000	2,130,000
Total Pers. Comp. & Benefits	85,259,373	92,082,000	84,226,000
Other Objects:			
21 Travel	3,406,456	3,972,000	3,869,000
22 Transportation of things	597,890	853,000	562,000
23 Rent, communications and utilities	11,255,980	17,965,000	20,537,000
23.1 Standard level user charges	95,971	33,000	50,000
24 Printing and reproduction	2,708,056	3,445,000	3,411,000
25 Other services	9,911,145	14,342,000	15,000,000
26 Supplies and materials	3,569,956	3,693,000	3,453,000
31 Equipment	447,406	874,000	861,000
41 Grants, subsidies, and contributions	492,587,251	455,296,836	285,392,000
42 Insurance claims and indemnities	1,762,183	33,000	33,000
43 Interest and dividends	3,186	2,000	2,000
Total other objects	526,345,480	500,508,836	332,170,000
Total direct obligations	611,604,853	592,590,836	417,396,000
Position Data:			
Average Salary, ES positions	$68,700	$68,700	$68,700
Average Salary, GS positions	29,406	29,406	29,600
Average Grade, GS positions	9.57	9.57	9.59

Mr. WHITTEN. In reviewing object class 23, which is rent, communications, and utilities, we notice that you will be increasing from $11.2 million in fiscal year 1985 to $20.5 million in fiscal year 1987. Why would this account almost double in two years?

Mr. HERTZ. The $9.2 million increase in object class 23 primarily reflects full implementation of the ASCS State and County Office Automation Project, known as SCOAP. As a result of full implementation, the agency's telecommunications costs will increase by $7.2 million over the two-year period, which of course reflects a fundamental change in ASCS operations from scannable documents to electronic transmission of program and accounting data. All of our State offices and over 90 percent of our county offices will be automated by the end of FY 1986 compared with approximately 5 percent in FY 1985, and, consequently, we anticipate telecommunications costs to increase by $4.6 million in FY 1986. The remaining $2.6 million increase in FY 1987 reflects more automated applications in use, and almost all counties and States automated for a full year. These telecommunications increases are more than offset by SCOAP-related staff-year savings of $12.1 million and $20.4 million included in our FY 1986 enacted appropriation and in the FY 1987 budget proposal, respectively. The remaining balance of $2.1 million relates to increased ADP and regular equipment rentals, Agricultural Washington Telecommunication Systems, Federal Telecommunication Systems and non-GSA space.

Mr. WHITTEN. Your other services account will also increase by over 50 percent during this two-year period. What is the reason for this large increase?

Mr. HERTZ. The two year increase of $5,089,000 in other services reflects administrative and program changes such as the full implementation of the State and County Office Automation Project, implementation of the 1985 Farm Bill, and the administration of heavy loanmaking and forfeiture activity. These operational and workload factors will impact the following other service costs: Costs for ADP vendor training, Departmental Computer Center charges, primarily for the Washington Computer Center, and ADP contractual services due to automation. Other increases are for flying contracts and high altitude photography, based on increased usage and an increase in the cost per square mile flown from FY 1985 to FY 1987. Additional increases are for the installation of telephone equipment in ASCS State offices, centralized cost assessments such as the working capital fund growth capital, EEO complaints, and the USDA-OIRM Information Technology Center, and increased costs due to greater usage of ASCS's teleconferencing system between Washington and the Kansas City Management Office.

Mr. WHITTEN. Your travel costs are remaining relatively constant. What reductions in travel have you been required to absorb during the last two years, or what restraints have been placed on ASCS travel during the last two years?

Mr. HERTZ. Our travel costs are remaining relatively constant primarily because of Agency efforts to limit trips to those absolutely essential for meeting program requirements. We are also continuing an emphasis on ensuring that travel is performed in the most efficient manner feasible. We have thus placed a greater dependence on teleconferencing facilities located in our Washington, D.C., and Kansas City, Missouri, offices, two of our most frequently traveled destinations. We have found that problems which formerly required travel can now be resolved using these facilities. These combined efforts have enabled ASCS to carry out its mission without significant increases in travel costs.

In addition, the constraints ASCS put in place in connection with last year's Deficit Reduction Act savings were an effective limiting factor. Even though the reductions were never actually required to be made, reduced allocations to Washington, State, and Kansas City offices served to limit travel early in the year.

Mr. WHITTEN. You are requesting a large increase in funds for benefits for former personnel. What are you anticipating will happen in fiscal year 1987 that will necessitate the need for this increase?

Mr. HERTZ. The increase of $1,182,000 in benefits for former personnel in FY 1987 primarily reflects severance pay and unemployment compensation costs anticipated for staff-year reductions in our Kansas City field offices related to full implementation of the ASCS State and County Office Automation Project, installation of an automated grain inventory system, and anticipated reductions for contracting our Kansas City mailroom functions under OMB

Circular A-76 procedures. In addition, we are reflecting a proposed reduction of 150 staff-years in county offices as a result of consolidating selected ASCS county offices with those of other USDA agencies. This is shown on page 29-10 of the Explanatory Notes. This proposal would also save 40 Federal staff-years in State offices. This proposal contributes to the higher costs for benefits to former personnel. In total, where these type costs are applicable, a reduction of over 100 Federal staff-years is anticipated, necessitating the payment of severance pay and unemployment compensation to displaced employees. Unemployment compensation for displaced county employees is also paid by Washington headquarters.

The consolidation of county offices will save approximately $1,400,000—$761,000 at the Federal level for salaries relating to 40 staff-years, and $639,000 at the county level for salaries and overhead cost relating to the employees and offices affected by the consolidations.

Mr. WHITTEN. What type of receipts do you estimate you received during fiscal year 1985 and what do you estimate you will receive in fiscal year 1986 for sale of aerial photographs? How is the sale of aerial photographs covered? Do you estimate that you fully recover your costs of these photographs, or do you make a profit on the sale?

Mr. HERTZ. In FY 1985 we received $3,656,000 from the sale of aerial photographs, with $3,659,000 estimated for FY 1986. These receipts recover slightly less than 100 percent of the actual costs of the photographs themselves so no profit is made. The sale of aerial photography is handled by the Sales Section in our Aerial Photography Field Office. When a request for aerial photography is received, the Sales Section prepares a work order for the work required, researches the request as necessary and completes the order by shipping the requested work to the agency or individual. The request is normally received pre-paid, and all receipts are deposited in the Federal Reserve, to the credit of the ASCS Salaries and Expenses account.

Mr. WHITTEN. Who are your major customers for aerial photographs?

Mr. HERTZ. Our major customers for aerial photographs are other USDA agencies, including the Forest Service and the Soil Conservation Service, and other governmental agencies, such as Fish and Wildlife Service, Department of the Navy, and the Department of Defense. The remaining major customers are from the private sector, including farmers, producers, and individual homeowners.

ASCS COUNTY EMPLOYEES

Mr. WHITTEN. Would you please provide for the record a table showing ASCS county employees, by year, for the last 10 years?

[The information follows:]

ASCS COUNTY EMPLOYMENT

Fiscal year	Total County Staff-Years		
	Permanent Personnel	All Other Personnel	Total Staff-Years
1975	8,611	2,431	11,042
1976	8,445	1,612	10,057
1977	8,202	2,448	10,650
1978	10,451	3,601	14,052
1979	10,661	3,356	14,017
1980	10,468	2,451	12,919
1981	9,951	2,428	12,379
1982	9,230	2,162	11,392
1983	9,918	3,946	13,864
1984	10,105	3,523	13,628
1985	10,162	3,117	13,279

ASCS OFFICES

Mr. WHITTEN. Have any ASCS county offices been closed or relocated during the past year, and if so, where and why?

Mr. HERTZ. Mr. Chairman, during fiscal year 1985 no headquarters county offices were closed. However, some combined counties had operating suboffices closed, and some county offices were combined, resulting in several suboffices. I will provide a list of these counties for the record.

County office closings and combinations similar to these take place every year, based on determinations made by the ASCS State committees. The State committees, in consultation with the county committees, periodically review county office operations in their State to identify offices which could be more efficiently and economically operated in combination with one or more counties. In all cases, it is the goal of the State committee that if an office is closed or combined the resultant county office structure will be more cost effective and efficient, while still fully serving the needs of the affected farmers and producers.

[The information follows:]

County Suboffices Closed

State	Headquarters Office	Closed Suboffice
Florida	Bradford	Clay.
Florida	Hardee	Desota.
Florida	Okeechobee	Glades.
Florida	St. Johns	Flagler.
Florida	Sumter	Citrus.
Idaho	Gem	Boise.
Minnesota	Anoka	Hennepin.
Minnesota	Lake of the Woods	Koochiching.
New Mexico	Luna	Grant.
Washington	Grays Harbor	Pacific.
Washington	Skagit	San Juan.

County Offices Closed and Suboffices Created

State	Headquarters	Suboffice
Alabama	Elmore	Coosa.
Louisiana	Grant	Winn.
Louisiana	Jackson	Bienville.
Washington	Snohomish	Clallam.

Mr. WHITTEN. Do you anticipate any change to your county offices during the coming 12 months, and if so, why?

Mr. HERTZ. Yes, we do expect to see some changes in our county offices over the next 12 months. During the remainder of fiscal year 1986, our State and county committees will continue to do their normal, ongoing reviews of county office operations to identify areas where the combinaton or closing of an office or offices would be in the best interest of the farm community and the agency. We expect that localized declining workload will be the main reason for any changes that may be made. However, no modifications in the county offices will be made without first ensuring that the resultant office structure will achieve a more efficient, cost-effective operation, and that the farm community will continue to be served in a timely manner.

Also, The President's FY 1987 Budget reflects significant savings as a result of proposed consolidations of ASCS county offices with those of other USDA agencies. We expect to save 150 county office staff-years, with associated salaries, benefits and general overhead savings totaling $639,000 in counties. This budget proposal differs from the ongoing review I have already described.

Mr. WHITTEN. Mrs. Smith, do you care to ask some questions?

CONSERVATION RESERVE PROGRAM

Mrs. SMITH. Yes. Thank you. We appreciate all of you being here. I want to ask you some questions that are being asked of me from my district and that I don't feel I have satisfactory answers to.

Now, I read in your testimony, and I already know, that the conservation program did not have near the signup that we had hoped for and that we had expected. Now, I realize that bids have been made according to certain areas of each State. Are you dividing that bidding differently between dry land and irrigated acres?

Mr. HERTZ. Congresswoman Smith, we did not differentiate between dry land and irrigated land. With the rent factors we used we were looking principally at dry land costs.

Mrs. SMITH. The program does not fit my district very well, where 82 percent of our row crops are irrigated. So are you differentiating?

Mr. HERTZ. Initially, with the bases and yields and provisions of the 1985 farm bill not in place, we were not able to evaluate bids on the conservation reserve nearly as well as we might be able to do now based on the enacted base and yield provisions and the real value of the bid.

We will take those into consideration when we assess the next bidding process.

Mrs. SMITH. You will take them into consideration?

Mr. HERTZ. Yes.

PAYMENT LIMITATION

Mrs. SMITH. I am receiving many questions about the $50,000 payment limitations. The Secretary came out to my district, his very first visit, and he said he hadn't heard those complaints before. But you know we have two, three, four and five families, members of the same family incorporated in many, many cases.

I am wondering if there shouldn't be some change to more accurately reflect the structure of today's family farm operation which has been incorporated, expanded and diversified to try to meet the demands of a changing world?

Mr. HERTZ. The conceptual approach of the regulations is to limit payments that may be received by a single economic unit. To accomplish this, the regulations define the term "person" in such a way as to encompass and combine individuals, corporations, and other legal entities which, because of their legal and economic relationships, constitute an individual economic unit. We recognize there are many reasons for producers to incorporate their farming operations. The selection of the most advantageous form of enterprise for a particular business involves the weighing of many considerations including tax, estate planning, individual liability, and Federal program eligibility. However, a corporation is a single legal entity. For example, unlike the partners in a general partnership, the stockholders in a corporation are not jointly and severally—or even severally—liable under contracts entered into to participate in annual commodity programs.

Mr. AMSTUTZ. If I might add, because we were aware of the confusion that was out there, we actually extended the period of time for submitting the so-called farm plans. Whenever I had an opportunity to visit with farmers I said to them really two things. First, what I said to them was what Mr. Hertz just said.

We really haven't changed anything, but we sure are emphasizing this more, really for your protection—you, the farmers' protection—to make sure this is all well documented, a matter of record, so that it will truly stand the test of time and examination.

Mrs. SMITH. Are you telling me that in some cases there can be more than one payment in a family unit where they have maybe five or six brothers?

Mr. AMSTUTZ. Yes, depending on how the farms are organized.

Mrs. SMITH. But you are only saying you are trying to be very careful that it is done fairly.

Mr. AMSTUTZ. Exactly, and that it is a matter of record.

FARM PROGRAM ELIGIBILITY

Mrs. SMITH. Could you please clarify ASCS rules regarding the use of share and cash renting for participation in farm programs?

Mr. HERTZ. Diversion and deficiency payments are made to a producer, who is defined as a person who shares in the crop, or the proceeds of the crop, or who would have shared if the crop had been produced. To share in the crop, the person must share in the risk of producing the crop. A landowner who leases land for a fixed payment, whether the lease calls for payment in cash or in bushels, does not share in the risk of production and is not a producer.

Mrs. SMITH. We currently have a small problem in Nebraska. As you know, many sugar beet growers have been affected by the bankruptcy and sale of the Great Western Sugar Company and will no longer be able to feasibly grow beets. Does the 1985 Farm Bill contain any provisions for helping these growers faced with such a disastrous situation to obtain any amount of corn or other feed grain base acres?

Mr. HERTZ. The Food Security Act of 1985 contains provisions for adjustments in crop acreage bases for producers who did not grow the crop in up to 4 of the years 1981 through 1985. We have implemented these provisions. There is no provision for establishing an acreage base for a producer who did not grow the crop at all in 1981 through 1985.

There were provisions, Congresswoman Smith, that went to county offices through an appeal process and that gave the county committees authority to adjust bases if there was a big change in planting history. I would think that in the case of the sugar beets, if wheat or corn was planted in its place for one year, there could be an adjustment to those bases.

Mrs. SMITH. I read that part of the law very carefully and I thought it gave a lot of flexibility to the county committees but we are getting complaints that people can't change from sugar beet acres to corn base acres.

Mr. HERTZ. In the case of the sugar, where it has been one year absent, there should have been records established by planting that would assist that farmer in establishing a base. If you have counties that are having problems with that, my office should know about it. We will check into it.

DAIRY TERMINATION PROGRAM

Mrs. SMITH. We will see that you do. Now, I have a few questions about the cattle industry because there has been a great deal of concern about this USDA buy-out. Did the USDA raise any economic questions with the cattlemen regarding the impact on the beef market of this whole herd dairy buy-out program as you administered it?

Mr. HERTZ. Yes. Early on in the formulation of the dairy legislation, the cattlemen were involved, and we filed an impact statement I believe in early March that indicated that we had assessed markets and looked at what impacts the whole herd buy-out could have. Those were of record at that time.

Mrs. SMITH. Now, what are the reasons for not following the economic analysis that your own colleagues at USDA made, regarding the orderly marketing of dairy cattle, bunching and spacing and so on?

Mr. HERTZ. There were two provisions of the law that applied. One said that the middle period of the three-period buy-out would have to have the lowest number of animals marketed. As we accepted bids, that, in fact, did happen. There was another provision that said that we could not contract for more than seven percent of the national herd in any one of the periods. We also met that criterion in accepting the bids. So we were well within the bounds of the law as we accepted those bids.

Mrs. SMITH. The Secretary said he didn't expect it to have the impact that it had and it is causing a great deal of concern in the cattle industry. Of course, the price has come back somewhat, about $2.

Mr. AMSTUTZ. None of us expected the impact it had, and this is the mystery of markets sometimes. I think sort of proof of that is one week markets were all down and the following week prices were all up in a corrective mode.

We are working very hard to buy red meat of offset the increase in supply on the market because of the slaughter caused by the dairy termination program. Through August we will have purchased for domestic distribution something like 140 million pounds of red meat.

We are also working for sales in international markets, and in a number of markets, we are actively engaged in negotiation. There will be a press release this afternoon, I believe, whereby the Department of Defense will announce that it will be buying 20,000 tons, that is about 40 million pounds, for use for sale by commissaries in Europe.

And finally, we hope to export a good number of these cattle as producing cows. We have announced several export enhancement programs in this regard and negotiations are being conducted with other countries. In addition to those, we have announced under the Export Enhancement Program as many of these cows as can get exported as producing cows, obviously it makes sense to do that.

Mrs. SMITH. We appreciate your doing that, but if you had only announced at the same time that you announced the buy-out, we are going to buy 400 million pounds and we are going to send these cattle to Mexico, it wouldn't have had such an impact.

Mr. AMSTUTZ. There again, we made it clear we were going to fulfill the law, and the law says we should buy 400 million pounds, half for domestic distribution, half for export distribution. We were flabbergasted with the reaction.

There is no question about that, Mrs. Smith, in the market. Even reconstructing it I find it difficult to understand why what happened that first week happened. Markets sometimes are very thin and very easily moved one way or another.

Mrs. SMITH. Now, what pressure, if any, was there from OMB in formulating this whole herd dairy buy-out program after USDA was promised $1.1 billion of the 1987 money to make the program work?

Mr. AMSTUTZ. Well, I guess the best answer is that the program will cost us far more than $1.1 billion. OMB knows that and approved it.

CONSERVATION RESERVE PROGRAM

Mrs. **Smith.** I have read in your testimony the summary of the Conservation Reserve Program. Since bids have been submitted according to certain areas of each State, could you not further divide the bidding process so that farmers with similar operations could bid against each other?

Mr. **Hertz.** The United States was divided into 139 bid areas or pools. Each State was responsible for establishing pools within State boundaries. In some States where irrigation is a factor, designated pools undoubtedly were made up of predominantly irrigated farms or of predominantly dry land farms so that farmers with a similar situation bid against each other.

Mrs. **Smith.** Under Title XII of the conservation section of the Farm Bill, it states that alfalfa is to be treated as a vegetative cover. Can you provide for the record a discussion of the problems that will be associated with the treatment of alfalfa as a permanent crop? Is not a person who uses alfalfa as a part of his normal crop rotation penalized for using conservation methods to hold the soil especially including the years 1981 through 1985? Should the use of alfalfa as a permanent cover be changed in the Farm Bill to prevent future problems?

[The information follows:]

Alfalfa as Vegetative Cover

The Food Security Act defines "vegetative cover" as "(A) perennial grasses, legumes, forbes, or shrubs with an expected lifespan of 5 or more years; or (B) trees." It defines an "agricultural commodity" as "(A) any agricultural commodity planted and produced in a State by annual tilling of the soil, including tilling by one-trip planters; or (B) sugarcane planted and produced in a State." Therefore, croplands used to produce alfalfa for the crop years 1981-1985 would be ineligible for Subtitle D, Conservation Reserve provisions of the Act. Further, these lands are subject to Subtitle B, Highly Erodible Land Conservative provisions of the Act since alfalfa is not defined as an agricultural commodity and no exemption applies.

The regulations specify that to be eligible for the Conservation Reserve Program, land must have been used to produce an agricultural commodity in at least 2 out of 5 years during the 1981-1985 base period. Cropland in alfalfa for 3 years or less would qualify for the Conservation Reserve Program providing the area met either the Land Classes II-IV or is classified as Land Classes V-VIII.

Good stewardship of the soil by a producer that uses vegetative cover in a cropping system normally results in increased yields over time and is therefore not viewed as a penalty for his conservation efforts. Since we do not believe this to be a problem we do not recommend any change in the Farm Bill.

CCC FUNDING

Mrs. **Smith.** Will the ASCS needs of our farmers be satisfied throughout harvest of this year?

Mr. **Hertz.** They can be met only if Congress provides additional CCC suplemental funding or the permanent, indefinite authority which we requested in the President's Budget. As I have mentioned, without such action, we will deplete our available funds by about the end of May, and at such time all program payments will have to be suspended.

Mrs. **Smith.** You also mention in your testimony the need for Congress to provide the balance of the President's request for CCC to finance the 1986 payment requirement. How soon must this happen?

Mr. HERTZ. We are finalizing a revised CCC cashflow analysis which indicates that CCC funding requirements have again increased. We believe CCC's current capital will likely be exhausted in late May. The funding need will likely be for more than the balance of the President's request.

Mrs. SMITH. Does this mean you are already running short of funds?

Mr. HERTZ. Yes, these cashflow projections indicate that we are indeed short of funds to meet CCC's total FY 1986 needs. However, in the short term, as long as CCC borrowing authority remains available we will continue business as usual and make program payments to farmers and producers, at least through late May.

Mrs. SMITH. Is there any reasonable doubt that signup will not be completed on time?

Mr. HERTZ. No, program signup will be completed on April 25 as scheduled. We may have to process some farmers after that date, as long as they visit the county office by April 25.

Mrs. SMITH. I noticed a transfer of funds has taken place for salaries. Will this be for overtime and temporary help in local offices that are overburdened?

Mr. HERTZ. The transfer you refer to has not yet been made. The CCC Urgent Supplemental, P.L. 99-263, enacted on March 24, 1986, technically provided $71.6 million in CCC funds for the ASCS Salaries and Expenses account. However, we cannot legally transfer these funds to the ASCS until our CCC transfer authority is also increased by $71.6 million in appropriation language. A language provision to increase the transfer authority to provide ASCS access to these CCC funds is included in H.R. 4515, currently under consideration by the Congress.

The $71.6 million will provide salaries and related costs for 2,975 temporary county office employees hired to carry program provisions mandated by the new farm bill, and to take care of the extremely high levels of loan and forfeiture activity being experienced in the 2,700 ASCS county offices. The funds would also provide for 169 Federal staff-years for temporary employees hired in our Kansas City field offices to process the workload related to the loan and forfeiture activity being experienced at the county level, and to implement changes and additions to operating systems related to the 1985 Farm Bill. Without these supplemental funds, ASCS would have to shut down all offices by late July, 1986. We have been spending at an accelerated rate under terms of an approved deficiency apportionment, and the $71.6 million would enable us to continue our offices in operation for the entire fiscal year.

Mrs. SMITH. I have no further questions, Mr. Chairman.

Mr. WHITTEN. Mr. Traxler?

DAIRY TERMINATION PROGRAM

Mr. TRAXLER. I have some questions on the whole herd buy-out. My observation is that in designing the whole herd buy-out provisions of the 1985 Act, immense amounts of discretion were given to the Secretary to implement the program. The statute is remarkable in that sense.

Basically, we said we want you to reduce production of milk by 12 million pounds, and we said we would like that done through the purchase for slaughter or for export. Then we gave the Secretary very broad authority to implement those specifics.

As soon as practical he determines the number of dairy cattle to be marketed for slaughter or export. Regulations specify marketing procedures to ensure that greater numbers of dairy cattle are slaughtered.

As a result, "the production program provided for in this section," et cetera. Really, a lot of discretion was given to the Secretary to implement a bare-bones program.

Some of us were hopeful that there would have been greater purchases of the 400 million pounds of beef announced promptly to assure that the market would not go into a tailspin. There is no intention on the part, I am sure, of dairy producers to cause problems for beef producers. We don't like farmer pitted against farmer.

In the Secretary's release of yesterday I am glad DOD is going to be making some purchases, but I noticed in the release that came out April 15 the Secretary announced he was going to purchase 5,762,880 pounds.

I am glad it wasn't 881 pounds. I would have really been confused.

Mr. AMSTUTZ. That was just the result of one particular bid process for canned beef.

Mr. TRAXLER. Canned beef; that is correct.

Mr. AMSTUTZ. We are buying frozen beef as well. We will hear back on a particular tender, I believe April 21st.

Mr. TRAXLER. May 5th you are also going to have other tenders.

Mr. AMSTUTZ. Yes.

Mr. TRAXLER. How quickly are we really going to move into this purchase program?

Mr. AMSTUTZ. It has literally begun with the purchase the Secretary announced. That bid over process is literally going on right now, and as I said this morning, I better stick to what I have said, I said two weeks ago that I was confident that within two weeks we would see bona fide announcements of real business.

I have to tell you that some of this real business overseas is coming slower than I would like. I can tell you we are in as intensive negotiations as I know how to do with foreign buyers around the world.

Mr. TRAXLER. But we expect and hope that the program will be administered according to the intent of the legislation. We recognize that it is something new. We appreciate the fact you are plowing new ground and we just hope that these purchases can be done as expeditiously as possible.

Mr. AMSTUTZ. I understand. Just for the record, Mr. Traxler, I feel compelled to say that, of course, during the rulemaking process we published in the Federal Register all we proposed doing.

We invited comments and, believe me, we read the comments we got and we counseled with all who wanted to counsel with us as we put this program together—because, as you say, it is new ground and, of course, our interest is to administer it as well as possible.

COMMODITY STORAGE ROLLOVER

Mr. **Traxler**. While we are talking about new regulations and the publication and comment periods, I am curious. Tell me about the publication and the comment periods and what kind of input you had on your rollover of the commodities provisions, the changes from 60 days down to 15 days on the storage shifts.

Did you indeed publish a dramatic change to 15 days? Did you get comments on it if you published? How was that decision made? I can tell you what the response of my farmers is on that, that shortening of that period for the rollover of the commodities in the storage bins is virtually impossible to be met.

You are going to have wet corn, dry corn. You are going to have weather conditions that are going to be impeding this transfer in that 15-day period, equipment problems, harvesting problems.

We are really, in the judgment of the farmer and the elevator operators, imposing an impossible burden. Why did you go from 60 days to 15 days and who did you talk to about that?

Mr. **Hertz**. Mr. Traxler, I can respond on the background of it, although I wasn't here when the decision was made I think in 1982 to move it to 60 days. The real problem that we had then was that we were putting corn out on the market or the producer was putting corn on the market 60 days prior to its normal time to be there. That was having a market impact rippling all the way through the countryside.

Mr. **Traxler**. But you have created some other problems with your purported solution. Now, that is probably the way Government works. Did that get published at that time? Does anybody know? Were there comments that were taken, because my ear is getting chewed off back home.

Mr. **Amstutz**. My memory is that was not a regular rulemaking process, that that was an announcement. But we can check into that.

Mr. **Traxler**. I see a head shaking "yes" in the back so that is probably correct. I wonder if you have time to take a second look at that. I am not suggesting 60 days was the appropriate time.

I am suggesting everybody tells you 15 days is not appropriate.

Mr. **Amstutz**. Surely we will take another look.

Mr. **Traxler**. My elevator operators, my farmers, will be glad to sit in your office and counsel with you and every farmer in America will be happy to do the same thing. That 15 days is next to impossible to meet. We in the Congress know about meeting impossible deadlines, believe me.

Mr. **Amstutz**. We will take another look at it.

FOREIGN INVESTMENT IN DAIRY FARMS

Mr. **Traxler**. Thank you.

There are some other troublesome problems. In America the government is complex. We have State governments, local governments, Federal Government. We have authorities for water, sewer and all that diversified government.

Here we are diligently at work in Washington to reduce our surplus milk. Out there in Georgia they are diligently at work establishing 10,000 head dairy farms with foreign capital, foreign owners and utilizing some gimmickry stuff in both the Federal income tax laws and in revenue bond laws that the local communities can issue.

For heaven's sake, what are we doing? I understand how the system works. I realize that happily Washington can't tell people what business they should or should not go into in a general sense.

But let's say in a general sense, we encourage people to be entrepreneurs and making money is not a crime in this country.

But at the same time when we are saying we have got too much milk, we have a surplus of milk, we are designing complex programs to reduce it, we are now witnessing some mammoth herds coming in that are going to produce incredible amounts of milk not even talking about super-cow, you understand.

That is coming over the hill yet. I have got a feeling—

Mr. AMSTUTZ. That is not a big hill either.

Mr. TRAXLER. That is correct. The faster I run, the further behind I am getting.

What can we do to advise these States, to advise local units of government for heaven's sake, it is an improper use of your tax-exempt bonds?

Do you see this as a trend? Are we going to be looking at 10,000-head herds with foreign investors wiping out the progress that we are making?

Mr. AMSTUTZ. I think you put your finger on the problem. The problem is the use of industrial revenue bonds. I think this is being addressed as the committees here on the Hill look at tax reform.

This is not my area, but I think that is the problem. The dilemma is, and you have really talked to it, we go to the mat fighting, for example, for a cooperative like Land-of-Lakes. If Land-of-Lakes wants to go into another country, we think it has every right to do that and we don't want any reciprocal treatment to keep them out.

Mr. TRAXLER. I have got to say if Land-of-Lakes can't go to Canada with the kind of quotas they have got in Canada, an American dairy farmer isn't gong to open up shop in Canada.

He can't get a quota for those cattle.

Mr. AMSTUTZ. Sometimes we are a victim of our own system.

Mr. TRAXLER. We are trying to figure out how to make it an open world for trade when the people that we do business with have a different definition of open. They are very protectionist in Canada.

Mr. AMSTUTZ. There are places where Land-of-Lakes can go and do business, as you know. But the reason I bring that up is the philosophical dilemma.

I think you really spoke to it, too. I am as troubled with this, I think, as you are, Mr. Traxler. When I first heard about it I sure can tell you my eyebrows went to the ceiling.

Mr. TRAXLER. Do you have any information that other investors may be establishing the same kinds of herds using similar techniques? Are we looking at an aberration here?

Mr. AMSTUTZ. I cannot answer your question. I do say this. With the law as it exists in the dairy area, those investors have to reconsider based on the great likelihood of lower support levels and the need to produce at lower cost as the new support levels come into being.

Mr. TRAXLER. It is troublesome clearly and I think that there are some other committees in the Congress that have to address this issue. I will do what I can to persuade my colleagues in the meantime to communicate to those units of government that may be contemplating this kind of left hand not knowing what the right hand is doing and attempting in the meantime before we can get some legislation in place to frustrate those efforts.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Let me say that one of my favorite areas is the CSFP program, Commodity Supplemental Food Program, and you have got almost $4 million of our money you transferred over to CCC.

We are going to get it back. You fellows struck in the middle of night before we could get our bill report that went with the urgent supplemental I think it was. Before we could get that acted upon you lifted the four million on me and we will find a place to take it back from you.

It is very essential to the commodity food supplemental feeding program that they have that money for administration purposes. It is a good program.

I wish you could have been here yesterday to see the people talking about that program. They have got folks lined up that are—the President calls them the poorest of the poor—and they have 15,000 people waiting to get into the program. Unfortunately, they have been told that as an elderly person dies you can't fill that slot and it is a terrible tragedy which we will deal with in some fashion.

I want you to know you have got four million you are not entitled to in my judgment and we are going to get it back somehow.

You struck in the dark of the night.

ROLLOVER OF COMMODITIES

Secretary Amstutz, I have been hearing from a large number of farmers and elevator operators that for some unknown reason you want to shorten the period for them to rollover the commodities in their storage bin. As I understand it, you are proposing that producers empty their storage bins, harvest their new crops, and fill the bins with the new crop in fifteen days or less. Elevator operators will have to handle wet and dry corn at the same time, and this creates tremendous problems. Last year they were given sixty days.

Mr. Amstutz, not a single farmer I know can predict whether or not weather conditions, equipment conditions, and all the other vagaries that go into farming will allow them to meet such a restrictive fifteen-day deadline. Why did you shorten it?

Mr. AMSTUTZ. The original purpose of the rotation provisions was to help producers maintain the quality of the reserve grain. However, it became increasingly evident that this provision was being used for marketing purposes rather than for purposes of maintaining the quality of the grain. This tends to defeat the purpose of the Grain Reserve Program because grain is made available to the market during the period just before harvest. Therefore, effective October 8, 1982, producers who enter into new grain reserve agreements by placing corn or sorghum in the reserve are permitted to replace the corn or sorghum, if it is going out of condition, at any time during the year rather than just before harvest. However, the corn or sorghum must be replaced with an equal quantity and quality within 15 days after such reserve grain is removed from the reserve. The replaced corn or sorghum may either be purchased or may come from the producers' own production.

Mr. **Traxler**. Farmers want to return to the sixty day rollover period, or at least to a forty-five day period. Are you willing to immediately reexamine this issue given that we need to get this matter resolved promptly?

Mr. **Amstutz**. Our experience has shown that extending the rotation period is not in the best interest of all producers, the reserve program, or the Commodity Credit Corporation. We believe that the 15-day rotation period for corn and sorghum is satisfactory.

Mr. **Traxler**. Who proposed the shortening of this period, and what kind of comment period did the regulations provide for? Also, what have been the results of any comments you have received?

Mr. **Amstutz**. The Commodity Credit Corporation proposed this change in the Interim Rule on the Grain Reserve Program for 1982 and Subsequent Crops and the Alternative Program for 1981 and Prior Crops. The Interim Rule was published in the Federal Register on August 16, 1982, and provided for a 60-day comment period. A total of 22 comments was received with respect to the proposed change. One respondent felt that changing the time period from 30 days to 15 days to replace grain which had been removed from the reserve was minimally acceptable. However, 21 respondents opposed any change in the number of days. It was apparent that the 60-day rotation period was being used strictly as a marketing tool rather than for the original purpose of maintaining grain quality. Therefore, in order to adhere more closely to the statute, it was determined that producers who enter into new corn or reserve agreements on or after October 8, 1982, may rotate the corn or sorghum from the reserve if the grain is in danger of going out of condition, provided the grain is replaced with eligible stock within 15 days.

ADVANCE DEFICIENCY PAYMENTS

Mr. **Traxler**. Farmers can get an advance deficiency payment of up to one-half of their total this year. The only problem is that farmers don't know when they are going to get it. What is the current schedule for making these payments, and if you can't tell me right now, why not?

Mr. **Amstutz**. For the 1986 crops of wheat, feed grains, upland cotton, and rice, farmers are eligible to receive a cash advance, upon request, of 30 percent of their projected deficiency payment at the time of signup, which is from March 6 through April 25. In addition, in the case of wheat and feed grains, farmers who requested an advance deficiency payment will receive a commodity certificate advancing another 10 percent of their projected deficiency payment on or after May 1. Producer participation has been heavy to date, but every effort is being made by the county ASCS offices to process and prepare the checks in a timely manner.

IRISH DAIRIES IN GEORGIA

Mr. Traxler. Many farmers are concerned about the news that an Irish firm will be setting up a 10,000-head dairy herd operation in Georgia. I know that there is no Federal money involved in this situation, with the exception of tax advantages for those providing the financing for the industrial development bonds that will finance this operation. Can you tell me whether or not you have had any conversations with the Irish government to help them understand that now is not the right time for this kind of operation to start up? Many dairy farmers are just concerned that this operation will offset the gains made by the whole herd buy-out program.

Mr. Amstutz. Masstock International is a private firm located in Ireland that has made the decision to go into the milk-producing and processing business to meet perceived market demand. It is this Administration's belief that the Federal Government should not interfere with an individual's right to open or expand a private business concern. Therefore, there have been no government-to-government discussions to discourage Masstock International's intentions.

Mr. Traxler. Do you have any information regarding how many of these 10,000 dairy cattle will be additions to the number being milked in Georgia, or if some of them will be purchased from other producers so that the total additional amount is less than 10,000?

Mr. Amstutz. It is expected that Masstock International will purchase their cattle in the U.S., but it is not clear whether it will represent a net increase of up to 10,000 head of cattle in Georgia.

DAIRY TERMINATION PROGRAM

Mr. Traxler. Many of my dairy farmers and livestock producers believe that the whole herd buy-out was terribly managed. Some dairy farmers were led to believe by the county ASCS office that the purchases of dairy cattle would be evenly spread over the three periods, but that isn't the case. Livestock producers were very unhappy about the impact on beef prices, which should have been moderated by the purchases of 400 million pounds of red meat mandated by the Farm Bill but wasn't. Mr. Amstutz, you are responsible for the administration of this program. You're the man who could have made the difference with some of these problems. What happened? Why did we have these kind of problems?

Mr. Amstutz. We believe that the bid analysis leading to the announcement and acceptance of the successful bidders under the Dairy Termination Program was carried out in compliance with the statute. The law required that more cattle be slaughtered in the first and third periods than in the second period. Contracts were accepted on the lowest bid basis, and the distribution fell such that approximately two-thirds of the bids came in the first period. We feel that we have fully met the requirements for livestock slaughter.

With respect to the drop in beef prices in the first week of the program, we believe that this was temporary and that our actions to purchase the 400 million pounds of beef and our export initiatives will help moderate the impact on beef prices.

Mr. TRAXLER. One very real problem is that the regulations were not issued until the very last day of the bid period for the program. I know that Secretary Lyng believes that knowing these regulations wouldn't have made differences in the bids submitted. But knowing the regulations would have avoided having the county offices give out erroneous information, like the purchases would be evenly split over the three periods, that there was going to be an allocation of numbers of cattle taken in the program per state. Why weren't the regulations issued sooner so that everyone could know the rules before the game began?

Mr. AMSTUTZ. It is true that the Dairy Termination Program regulations were not printed in the Federal Register until March 7. However, all of the information necessary for producers to submit their bids was available at the county ASCS offices by February 10, the beginning date of the Dairy Termination Program signup period. The regulations are little more than a repeat of the information in the Appendix to the Dairy Termination Program contract. The regulations were not issued sooner because of the pressing need to get program details and forms developed and into the county ASCS offices within the very short timeframe provided to implement the program. Furthermore, no mention was made in the regulations about the process that would be used or the manner in which bids would be accepted, since we could not determine this until we actually saw the bids.

BRANDING OF CATTLE

Mr. TRAXLER. As you know there is also disagreement over the method of branding the cattle to identify them as animals to be slaughtered. The Department opted for the easiest way—a big "X" that an inspector can easily see by just walking past the lined-up cattle. They don't want to spend money on equipment that they will never use again, nor do they want to risk injuries to themselves and their workers. You have been encouraged on several occasions to approve alternative methods of branding, including dye tattoos that have apparently been successfully used at the ARS Beltsville research facility. Will you approve alternative methods of branding cattle for the whole herd buy-out, and if not, precisely why not?

Mr. AMSTUTZ. We are presently reviewing possible alternatives to the hot branding methods and expect to issue an announcement soon. However, I would like to emphasize that several methods of identifying dairy cattle for the Dairy Termination Program were examined and it was determined that branding was the only method to ensure that the identification was permanent, visible and recognizable.

With respect to the dye-tattoo, I assume you are referring to the marking system that was demonstrated at the Beltsville Research Center on March 4, 1986. This system of identification was originally rejected because it was a new and unproven method. In following up on this demonstration, ARS informed us that these cows were slaughtered about three weeks after the demonstration and that there was absolutely no sign of the dye visible on the animals at the time of slaughter.

[CLERK'S NOTE.—The Department advised that on April 18, it was announced that producers would be allowed to choose the alternative of freeze branding or hot-iron branding. If the hot-iron method is chosen by the producer, it is strongly recommended that an electrical thermostatically controlled branding iron be used. This would provide uniform heat and would result in a better brand with less chance of accidental injury to the dairy cattle.]

DAIRY PRODUCTION BASE

Mr. TRAXLER. There is also great concern about the dairy production period you use for the base to determine buy-out payments. You have the discretion to use the production period before the dairy diversion program began for those producers who participated in that program and tried to reduce dairy supplies. Will you do it, and if not, why not?

Mr. AMSTUTZ. The base period for the Dairy Termination Program was the lower of the 12-month period ending June 30, 1985, or December 31, 1985. We continue to believe that this base period is the most representative of recent conditions in the dairy industry.

AGRICULTURAL CONSERVATION PROGRAM

Mr. TRAXLER. You are once again proposing the elimination of the Agricultural Conservation Program. Just for the record, could you tell me who has offered support for this proposal? I know that I will join with the Chairman in trying to restore this program because we certainly haven't heard of any support from outside the Administration.

Mr. HERTZ. Although we have not received comments directly from the public, either supporting or opposing this particular proposal, the public is on record in support of efforts to reduce budget deficits and control Government spending.

DAIRY INDEMNITY PROGRAM

Mr. TRAXLER. For the Dairy Indemnity Program, you wanted us to rescind the $95,000 that was available. Now because of the heptachlor problem in several States you want a supplemental of $6 million. Your budget for fiscal 1987 proposes the elimination of the program. In light of recent events, do you want to modify your position on the 1987 request so that the program is at least kept alive in case it is needed next year as it is this year?

Mr. HERTZ. The proposed supplemental includes funds to cover all anticipated claims of dairy farmers and manufacturers resulting from the current heptachlor contamination problem in Arkansas, Missouri and Oklahoma. Since funds provided in the supplemental will be available until expended, it is not necessary to revise the 1987 budget to request additional funds.

However, the benefits of the program in dealing with the current emergency contamination problem have been recognized by the Administration and program termination is no longer requested, in anticipation that future emergencies could also be handled by emergency supplemental requests.

COMMODITY SUPPLEMENTAL FOOD PROGRAM TRANSFER TO CCC

Mr. TRAXLER. You recently transferred $3.95 million from the Commodity Supplemental Food Program to the Commodity Credit Corporation. The conference report on a recent CCC supplemental directed you not to make this transfer until the appropriations committees have had an opportunity to review the matter. As I understand the scenario from Assistant Secretary Bode, the money was transferred anyway. We now have a directive for you to return the money to CSFP contained in the supplemental appropriations bill approved by the Committee. Are you willing to restore this money to the feeding program on your own, and if not, why not?

Mr. AMSTUTZ. This transfer was made by the Food and Nutrition Service on March 10, 1986, following a determination that these funds could best serve overall priorities by reducing the size of the operating deficits of the Commodity Credit Corporation. I understand that this assessment has not changed. The House Committee Report containing the directive was published on March 12, 1986.

CCC SPENDING RATE

Mr. TRAXLER. For the record, would you tell us how much money has been provided to CCC during this fiscal year, and using your rate of spending, exactly how long does $3.95 million last in CCC? Based on your projection of a little over $21 billion at CCC in fiscal year 1986, I believe your spending rate is about $2.4 million per hour based on a 24-hour day over a full year, and about $10.1 million per hour based on an 8-hour work day and 260 workdays per year. It just seems to me that $3.95 million doesn't mean much to CCC, but it is more than 10% of the total appropriation for the Commodity Supplemental Food Program.

Mr. AMSTUTZ. To date, CCC has received $19,632,926,000 for reimbursement of its net realized losses in fiscal year 1986. It would be difficult, however, to predict accurately the rate of CCC spending, since CCC spending varies considerably depending upon the program provisions, the level of producer participation and the month in which the actual spending takes place. For example, in December 1985, CCC net expenditures were $4.8 billion. Based on an 8-hour workday, the spending rate is approximately $6.5 million per hour. This may be contrasted with May 1985 CCC net expenditures of $166 million or $.2 million per hour based on an 8-hour workday.

Mr. TRAXLER. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Watkins.

DAIRY TERMINATION PROGRAM

Mr. WATKINS. Thank you, Mr. Chairman.

Mr. Secretary, I want to get to the heart of what Mrs. Smith talked about, the whole herd buy-out.

I cannot believe for the life of me how such a decision was made at USDA. It appears USDA deliberately sabotaged the whole orderly marketing process.

Who made such a decision at USDA?

Mr. AMSTUTZ. Technically the Secretary of Agriculture always makes the decisions, but let me say here that this comes under my direct responsibility, so no one is more responsible for that decision than I.

Mr. WATKINS. My folks look on the program as a cattlemen's termination effort instead of a dairy herd termination.

Let me ask you when that decision was handed to you.

Mr. AMSTUTZ. We spent many hours working on this program, Mr. Watkins.

Mr. WATKINS. Let me ask you another question. You had 18 months to market it. What made you make the decision to take two-thirds of them upfront?

Mr. AMSTUTZ. By and large, the dairymen made that decision in the way they bid under the program.

Mr. WATKINS. Is that an orderly marketing position that you said by law that we provided?

Did you think two-thirds of it upfront was orderly?

Mr. AMSTUTZ. As defined by the Congress in the law, we fulfilled the tenets of orderly marketing.

Mr. WATKINS. I think you took it to the extreme.

Mr. AMSTUTZ. No, we didn't, Mr. Watkins. We are well under that seven percent figure, and the distribution in the three periods was well within the guidelines set out.

Mr. WATKINS. But you had two-thirds of it that you are purchasing, right?

Mr. AMSTUTZ. As I say, the dairymen really made that decision when they bid——

Mr. WATKINS. Did you have the money to purchase two-thirds of it?

Mr. AMSTUTZ. As I said to Mrs. Smith, we spent more money under the program than we reckoned we would when we went through the costing out process.

Mr. WATKINS. I can imagine.

Mr. AMSTUTZ. The quantity we bought was the quantity spelled out as the objective of the law. The objective of the law was to buy out 12 billion pounds of production.

Mr. WATKINS. If cattle dropped $6 a hundred just overnight——

Mr. AMSTUTZ. I am not sure when you came into the room, Mr. Watkins, and I apologize. None of us expected that reaction we saw in the market that first week and the fact is the second week the market recovered much, if not most, of all it lost that first week.

Mr. WATKINS. Do you know what cattle is selling for this morning?

Mr. AMSTUTZ. I do not know this morning.

Mr. WATKINS. That may be the problem. We need people here keeping up with what is happening. If you listen to the radio at 5:30 in the morning like I do—I am an old farm boy. I know what is happening.

That is what we need at the Department is a few farm boys that have got a little manure on their feet. They might have a little more common sense about what they are doing.

I can't imagine for the life of me that at a time we have got a budget problem we go ahead and purchase two-thirds of it upfront.

DAIRY INDEMNITY PROGRAM

Speaking of dairy, you are aware of a dairy contamination problem basically in Missouri, Arkansas and northern Oklahoma?

Mr. AMSTUTZ. Yes.

Mr. WATKINS. How do you propose to address the problem and where do you plan to get the money?

Mr. AMSTUTZ. This is not my area, so I can't give you a specific answer, but we have asked for money from you, $6 million, to reactivate the Dairy Indemnity Program.

Mr. WATKINS. Where are you going to get that money?

Mr. HERTZ. It would have to be in the supplemental appropriation.

Mr. WATKINS. The administration is assuming Congress will pass supplemental appropriations.

Mr. AMSTUTZ. Not in all cases.

Mr. WATKINS. We will probably have it go down to defeat. Are you going to have your people suggest to the White House, to the Secretary, that they vote for the supplemental appropriation bill?

Mr. AMSTUTZ. It has to be viewed in its entirety, Mr. Watkins.

Mr. WATKINS. Sometimes we don't have just that kind of opportunity.

Do you support the supplemental appropriation bill?

Mr. AMSTUTZ. You mean as it stands right now?

Mr. WATKINS. Yes.

Mr. AMSTUTZ. The Administration does not, Mr. Watkins.

Mr. WATKINS. Do they support the dairy?

Mr. AMSTUTZ. Does the Administration support the $6 million for the Dairy Indemnity Program? Yes.

Mr. WHITTEN. Could I interrupt at this point? We have a request from the Office of Management and Budget for $6 million instead of the $10 million that the other folks estimate, to be transferred from the rural housing program.

Mr. WATKINS. No.

Mr. WHITTEN. When I say "taken from," I should have said, "offset."

I used the wrong word. That is to conform to the Senate rules where they provide that, if you add anything, you must subtract from somewhere else.

Mr. WATKINS. Where are my people going to go for housing?

Mr. WHITTEN. I thought they were going to take the money from OMB, but they didn't.

Mr. WATKINS. In the other subcommittee, as Mrs. Smith and Mr. Myers know, the Administration could take something from foreign travel. We might have enough in foreign travel here that might pay for it. I have also heard the same rumor but you have confirmed the request.

Mr. WHITTEN. It is a formal budget request to us proposing to take it from rural housing.

Mr. WATKINS. Why is that request being made to take it from there? Do you know?

Mr. AMSTUTZ. I think the Chairman just said why. On the Senate side, we have to balance. If you put in more somewhere, you have to take out a like amount somewhere else.

Mr. **Whitten**. The letter to me says it is required by Gramm-Rudman. I don't agree. I think it is the Senate rule that applies.

Mr. **Amstutz**. I agree with the Chairman. That is my understanding.

RURAL HOUSING

Mr. **Watkins**. We just got out of teepees not too long ago in Oklahoma and now looks like we are going to have to go back.

I don't think the Administration can have it both ways. If they are going to submit a supplemental appropriations bill for $6 million, they need to support that, not support a $6 million transfer from rural housing.

We have had over 60 percent cut in the last five years in rural housing, 60 percent. Rural housing has been reduced more than any other area in the Federal Government.

I think it should be on the record—what is being proposed for rural housing and also that it looks like we are not going to get the support for that $6 million through the supplemental.

This concerns me a great deal because the Chairman just pointed out that is what I had heard and he confirmed it to me and I wonder where we are going to get that.

CONSERVATION RESERVE PROGRAM

Let me ask also on the sign-up program on CRP, we haven't had sign-up in some of our areas.

In fact, we have entire counties that have not gone through the sign-up program of the Conservation Reserve Program. My folks seem to be not able to participate in it.

I might just give you a quick little note here from one of them.

It said, "This past week we received notification our CRP program had been rejected. The reason given, the bid exceeded the maximum level that was set at $45 an acre." One of the things he pointed out, no one told him what the maximum rate was going to be. Is that the maximum rate?

Mr. **Hertz**. Mr. Watkins, in establishing those levels of bid acceptance, we looked at typical rent values in a given area. Producers or land owners would bid, would offer their land for the program. We found that in most cases the bids were exceedingly high. I don't believe that it was our position or should have been our position to go out there and establish bid levels that would, in fact, become competitive with what the local farmers are paying in rent to other farmers.

Mr. **Watkins**. What are some of your bid prices you are paying?

Mr. **Hertz**. I think they range from $5 to $90 across the country. The average was just about $42 an acre. That is across the country.

Mr. **Amstutz**. May I make a comment, Mr. Watkins?

I understand the letter that you read and the complaint he voices, that nobody told me that $45 was the level. We didn't announce a level before because we really wanted the process to be competitive. We didn't want to put figures in farmers' minds, but we had to arrive at a level as we analyzed the bids.

Now, it is important for us to say we announced, as you might be aware, that we are re-tendering, we are going out again and asking for farmers that are interested in this program to submit bids to us again.

Mr. WATKINS. I have entire counties that can't participate. That should tell you something. It tells me something, that the program is unworkable or is not being administered correctly somewhere out——

Mr. AMSTUTZ. The participation so far is very light, Mr. Watkins. The bids we accepted were for 838,000 acres, and we have an objective this year of taking five million acres out of production. This next round of bidding starts May 4th or 5th, I forget what date.

Mr. GOLDBERG. Fifth.

Mr. AMSTUTZ. That notice is out to your farmers, out to your county.

Mr. WATKINS. I think we are going to have to improve on it if we are going to accomplish some of the objectives. Looks like to me that $45 per acre is sure not going to attract too many participants on it.

DAIRY TERMINATION PROGRAM

I have a number of other questions, but probably the one that was the most alarming to me was the method of the whole herd buy-out. For the life of me, as someone who has participated and been closely associated with agriculture, it seems to me that we have got to have better marketing minds down there in the bowels of the USDA.

If they don't understand the marketing system, then we had better reevaluate who we have in the USDA. It gives our people justification for the negative attitude toward USDA.

Believe me, throughout my area of the State of Oklahoma they have got a negative feeling about this kind of decision. I stand foursquare with them because I cannot find any justification for it whatsoever.

If any of the people have had any type of background in working with the livestock markets at all, they would have known this was going to happen. Now, we can blame it on something else and I will be happy to let the dairy folks know you all are putting the blame back there, but I don't understand such a decision.

I hope you will carefully scrutinize that and from now on make sure such decisions, if they are going to be made by career people, that the people have some kind of understanding of the market and what is going to happen to that market when such decisions are made.

Mr. AMSTUTZ. Mr. Watkins, as I said before, it is proper and fitting for me to say to you I take full responsibility for that. I am sorry to hear what you have said. You have a perfect right to say it. I don't question that whatsoever. We are doing our best to balance the beef buying with the whole herd elimination as we have said. I don't mean to prolong a debate on this. Let me just say this.

It is almost impossible to administer a program such as this mandated by law without some downward movement in the cattle market. You just cannot add supply like that to a market without some downward movement.

Mr. **Watkins**. Some downward adjustment without question, but not like $6 a hundred overnight.

Mr. **Amstutz**. No. But as I say——

Mr. **Watkins**. That is the most rapid drop in prices we ever had, to my knowledge.

Mr. **Amstutz**. I understand. And immediately thereafter there was some upward correction, too.

Mr. **Watkins**. I won't belabor it, but I hope you take a good look at what we are doing down there and how we are doing it.

After the way that ASCS has treated the cattle industry in implementing the Whole Herd Buyout, I'm surprised that you were brave enough to appear before this subcommittee today. I know the Chairman and I have a number of concerns in how USDA's ineffective action has meant a cattleman termination program as opposed to a dairy termination program. In your opinion, did ASCS follow the law as imposed in the 1985 Farm Bill concerning conducting of the program?

Mr. **Hertz**. The beef producers' interests were well represented in formulating the 1985 dairy legislation. In carrying out the Dairy Termination Program, USDA followed the statute with respect to reducing milk production while fully considering the required protections for the beef industry. In our opinion, we followed the law in its entirety.

Mr. **Watkins**. What are your plans for the future of the program realizing nothing can be done for those already hurt?

Mr. **Hertz**. We intend to purchase red meat in the same proportion that additional cattle come into the market through the program, and t[illegible]ntinue our export initiatives for live cattle.

Mr. **Watkins**. What are you doing to see that the market is not being adversely affected in the future due to the dairy termination program?

Mr. **Hertz**. As I mentioned, we intend to continue the purchase of red meat and to use export initiatives to ensure that the market is not adversely affected.

Mr. **Watkins**. Why did you accept two-thirds of the bids during the first period as opposed to scattering them out over the 18-month period?

Mr. **Hertz**. The bids were accepted on a low bid basis and the distribution fell such that about two-thirds of the bids came in during the first period.

RED MEAT PURCHASES

Mr. **Watkins**. Is the Secretary looking at purchasing pound for pound for every unit coming on the market during the first bid period?

Mr. **Hertz**. We will attempt to purchase an amount of meat equivalent to the number of live animals coming in to the market during the first bid period.

Mr. **Watkins**. Your first bids on purchases of red meat were to have come in during this week, have they been awarded? How many bids were let and at what level?

Mr. AMSTUTZ. First offers under the canned beef program were received on April 14. Three firms submitted offers on 6,843,420 pounds at seven price levels ranging from $1.1699 to $1.2499 per pound. CCC awarded contracts to all three firms on April 15 for a total of 5,762,880 pounds at prices ranging from $1.1699 to $1.2028 per pound. The remaining 1,080,540 pounds rejected represented additional quantity offered by one of the three bidders at price levels of about 1, 2 and 5 cents over the top award price. Offers will continue to be received weekly. Bids are due by 4:00 p.m., local time, every Monday.

Mr. WATKINS. Will purchases be made at the same time the cattle are sold and put on the market?

Mr. AMSTUTZ. Yes, they will be coordinated as closely as possible with the sale of live cattle.

Mr. WATKINS. USDA has stated there will be purchases of frozen hams as part of the purchase of red meat. At what level will that purchase be?

Mr. AMSTUTZ. USDA has announced a purchase program for hams. First bids under the weekly purchase program are due May 5. Like the other programs announced so far—canned beef, ground beef, and choice beef roasts—the total to be purchased is open ended at this time. The quantity to be purchased weekly as well as the overall length of the program will be dependent on the quantity and prices offered by the industry, the reasonableness of bids in relation to market conditions, and the initiation of other commodity programs for domestic use or export that may compete for the same bidders.

IMPACT OF GRAMM-RUDMAN-HOLLINGS

Mr. WATKINS. If the Gramm-Rudman-Hollings law prevails, what impact do you see on the final payments that wheat producers receive in July 1987? Will it be subject to the 4.3 percent or the larger cut after October 1?

Mr. HERTZ. The 4.3 percent reduction required by the Gramm-Rudman-Hollings Act is applicable to the 1986 crops, irrespective of the fiscal year in which the payment to the producer is made. Therefore, the final payments, also known as Findley deficiency payments, that wheat producers receive will be subject to the 4.3 percent reduction.

Mr. WATKINS. Again, under Gramm-Rudman, what is your analysis of the impact on peanut program participants in this year's crop but, will not harvest until after October 1? Will it be subject to the 4.3 percent cut or a larger cut?

Mr. HERTZ. The 4.3 percent reduction under the Gramm-Rudman-Hollings Act is also applicable to the 1986 crops regardless of the fiscal year in which the harvest of that crop takes place. Therefore, although harvest of the 1986 peanut crop may not take place until after October 1, 1986-crop loans to peanut producers would still be subject to the 4.3 percent reduction.

PEANUT AUTOMATION PROJECT

Mr. WATKINS. USDA is currently testing new technology in its peanut buying point automation project. What does the testing entail, where is it being tested and what outcome is expected of the test?

Mr. HERTZ. In October 1985, USDA conducted a test of an automated marketing system at five peanut buying points in Georgia. This test involved the use of microcomputers at these buying points for recording and calculating marketing data. Approximately 150 so-called "smart cards" were also used in the test as a replacement for the peanut marketing card. A "smart card" is shaped like a credit card and contains a microchip on which data can be recorded through the use of a computer. After the October test, the peanut industry and USDA agreed that an expanded test was needed to permit a better evaluation of the automated system.

In addition to testing microcomputers and "smart cards" as in October, the expanded test will involve the testing of telecommunications from buying points to State offices and experimentation in interfacing USDA's system with existing automated systems of the peanut industry. The expanded test will be conducted at approximately 60 buying points in Virginia, North Carolina, Georgia, Alabama, Oklahoma, and Texas beginning August 1, 1986. Approximately 3,000 farmers will receive "smart cards" for use in the test.

This expanded test is expected to provide answers to several questions. How reliable are the microcomputers in the buying point environment? How durable are the "smart cards"? How reliable and costly are telecommunications from buying points to State offices? What is the impact of the automated system on the workload of buying points and USDA's county offices? To what extent can existing automated systems of the peanut industry be interfaced with USDA's automated system?

Mr. WATKINS. Is this technology expected to be implemented nationwide and if so, how soon?

Mr. HERTZ. If the results of the expanded test indicate the automated system will be successful, we plan to implement the nationwide system beginning August 1, 1987.

Mr. WATKINS. Does the agency expect to use this technology in other crop programs as well?

Mr. HERTZ. We are considering using this technology in the flue-cured and burley tobacco programs. A test of an automated burley tobacco marketing system was completed in February 1986. More testing will be required to determine if the technology will be beneficial to these tobacco programs.

Mr. WATKINS. Will this card replace farmers' peanut buying card?

Mr. HERTZ. The "smart card" would replace the current peanut marketing card.

Mr. WATKINS. If this is implemented nationwide in the peanut program, what states do you plan to bring on line first during implementation?

Mr. HERTZ. If the automated system is implemented nationwide, all States in which peanuts are grown will be brought on line during the same period of time. This is necessary because the peanut marketing season always begins nationwide on August 1.

PEANUT QUOTAS

Mr. **Watkins**. Has policy been revised that farmers would have more than 24 hours to transfer their peanut poundage from one farm to another? Many of our farmers are busy in the field and need more time than 24 hours to do a transfer. They also need a notification from the buying point at the time that quota peanuts are overdrawn on a particular farm.

Mr. **Hertz**. Mr. Watkins, I assume the question has to do with fall transfers of peanut quotas between farms. In order to have an orderly marketing system at the buying point where farmers must designate whether they wish to receive price support or sell their peanuts commercially, a time period has been established to require the farmer to make this decision or have the buying point make it for the farmer.

If the time period is extended, it could cause large quantities of peanuts to sit unattended at buying points awaiting the farmer's decision. In case of fire, rain, or any other damage to peanuts at the buying point, the uncertain status as to the owner of the peanuts would cause disruption to the marketing system. If the peanuts were judged to have been placed under loan, the resulting loss would be borne by the Commodity Credit Corporation. Historically, the 24 hours has been an acceptable time to the peanut industry for determining the category of sale of the peanuts.

Mr. Chairman, thank you.

Mr. **Whitten**. Mr. Myers.

CONSERVATION RESERVE PROGRAM

Mr. **Myers**. Thank you, Mr. Chairman.

I will ask a question about the CRP. How were the maximum amounts to accept for the CRP acreage, how were they established?

How wide an area was established, farm by farm, or what? How was it established?

Mr. **Hertz**. Initially we looked at information that ERS puts out that identifies cash rent values county by county. We had input from our State offices and from our county offices and tried to identify—sorry to use that word, Mr. Chairman—tried to determine a rental rate that was comparable to the average rental rate in a given area. I think, as I mentioned earlier, it would be wrong for us to be in competition with the farmers when a lot of them make their living leasing lands. I don't think it would be fair for us to compete with them.

With the recommendations of our State ASCS officials and county ASCS officials, we established boundaries that reflected similar land values, production, and other characteristics, and we established that as a bidding pool, if you will.

Whatever rate was agreed to for that pool, that is where we capped the accepted bid.

Mr. **Myers**. Well, the figures I have seen in Indiana just weren't realistic at all. It would take a pretty bad year to get down to where the farm wouldn't earn more than that. The purpose is to get the land retired, you have to be somewhat realistic. You talk about being in competition or not, but you are really not in competition.

Your goal is not to establish rental rates for farms but to get the land retired. I realize it has a purpose to get the land as cheap as you can, but still it defeats the purpose obviously when you have got less than 20 percent of what you hoped to get, there is something wrong with the process, and it is obviously those rates that you established were way too low.

Mr. HERTZ. We realize that we will have to take another look at those rates. As we go into this next bidding process I think we will be able to do a much better job with it because yields and bases are in place. We can identify production with the bid as it comes in now.

Mr. MYERS. May 5th will be rather late.

Mr. HERTZ. Yes, sir.

Mr. AMSTUTZ. It is late and we worry about that. I might add, and I think this decision was made yesterday, in consultation with people on the Hill, on the Agriculture Committee here in the House and on the Senate side, too—we have decided on this next round of bids, to open the bidding period for only two weeks.

Now, ordinarily we think that is too narrow on time but our hope is that there is enough knowledge about this program out there in the country that people will be able to respond to it within that two weeks.

If we get rapid enough turnaround, the second time through on this we will be able to handle it more expeditiously in pumping all this information into the computer. There still is time, not as much as any farmer would like, but there still is time to make contingency plans for the use of that land.

Mr. MYERS. It is a good idea I think to retire some of this land, but obviously it is not going to work when the bid or at least when the protection is too low to get the land. I don't see how you could get it at $45.

In our area I believe the highest I saw was $62. My land averages much more than that. If it didn't, I wouldn't keep it.

I don't have the best land in Indiana by a long shot. I qualified in every respect except the bid.

Mr. AMSTUTZ. As Mr. Hertz has said, we will continually go through this process of determining what the value should be.

Mr. MYERS. I didn't know this was particular to Indiana, peculiar to us, but it is farm-by-farm. It isn't county by county, to answer that question, how you establish the rates.

It is on each farm, established by some mechanism.

Mr. HERTZ. The eligibility requirement is established farm by farm, but the farm would be a part of a pool bidding process.

Mr. MYERS. Describe what you mean by pool bidding. Each farm has not bid on their own, there was not any pool. I don't know what you mean by "pool bidding."

Mr. HERTZ. In several States we have situations where the productivity of land and land values vary greatly. So we tried to have lands that were comparable in value and production bid against each other, and that, in effect, established that pool.

Within that pool a value was determined and set as the cap as to how high the rental payment would be.

Mr. **Amstutz**. He is saying, like land bid against like land. Bids are submitted farm by farm, but they are evaluated by different categories.

Mr. **Myers**. How are you going to change it? You established a policy. Are you going to tell people ahead of time what the most—no use bidding if you are going to bid more than this? Are you going to tell them or just go through this exercise again and then after the fact say, I am sorry, you guessed wrong? Why don't you just tell them what the maximum is and let them come in?

Mr. **Hertz**. Mr. Myers, I believe based on the levels that we determined for the pools this first go-round, we certainly established a maximum. Of course it may be adjusted next time, but it serves as a guideline for the second round of bids.

Mr. **Amstutz**. I really was interested in the letter Mr. Watkins read, because we haven't had that kind of complaint from farmers that have come up, that they didn't know. I am not saying there haven't been some, but we haven't heard complaints that they didn't know what the maximum level was.

The competitive nature of it, I don't think individual farmers worried about. They were happy to make their own calculations as to what it was worth to them and proceed, and they had reams of input. They had lots of input from farm publications and Extension Service and so forth.

This time around one of the advantages for the farmers is that they have the benefit of the previous go-round. So the conservation people who are of course so interested in this subject are very confident that we are going to have much broader participation this next time around.

Mr. **Myers**. I would be surprised.

Mr. **Amstutz**. We will see.

Mr. **Myers**. Because of timing, if nothing else.

But you still haven't answered. Are you going to increase the participation, too, or increase the dollar or what?

Mr. **Amstutz**. We will see what the bids show, you see.

Mr. **Myers**. The farmer is going to be right, isn't he? The farmer does not know. He is bidding in the dark again. I am not going to bid. Why do I waste my time bidding when you haven't made your mind up yet?

Frankly, I am going to recommend farmers go ahead and put her in production. Then you know what you are getting or you have got a shooting chance at it.

I would be very surprised. You will report back to us what kind of participation you have, won't you?

Mr. **Amstutz**. Surely. Surely.

Mr. **Myers**. I don't think it will take very long to figure that.

Thank you.

Mr. **Whitten**. Mr. Akaka.

COMMODITY CREDIT CORPORATION FUNDING

Mr. **Akaka**. Thank you very much, Mr. Chairman.

Mr. Hertz, since the beginning of this fiscal year we have passed two supplementals for the Commodity Credit Corporation. The latest was on March 24th this year.

My question to you is will these supplementals provide you with adequate borrowing authority through the end of this current fiscal year and, if not, when do you expect it to run out?

Mr. HERTZ. They will not carry us through this fiscal year, Mr. Akaka. Our best estimates at this time are that we would have funds through approximately the third week of May.

DAIRY INDEMNITY PROGRAM

Mr. AKAKA. That answers my question on that. Another is on the Dairy Indemnity Program. We all know that there is a major problem with contaminated dairy herds in the south and along the Gulf Coast. I became very interested in this because Hawaii did have that problem and I sympathize with the folks in that area. I have really not been approached on this to support it and knowing the problem I want to offer my support.

As a bit of history, it was in March of 1982 that Hawaii suffered pesticide contamination problems and at that time this committee was able to help our farmers. About 7,600 cows were affected, and I appreciated the help from the Diary Indemnity Program because these farmers stayed in business.

They are still producing milk out there and I attribute that to this program. My question is what is ASCS doing to help these southern dairy farmers who have contaminated herds?

Mr. HERTZ. Congressman, very much the same as we did in the Diary Indemnity Program as it affected your State.

We have had teams in Missouri, Oklahoma and Arkansas making surveys. We have sister agencies that are there doing various testing programs to identify the contamination both in the fluid milk and in the meat that has been slaughtered. We have amended our 1982 regulations to carry over for the next four years to use appropriated funds to make payments to diary farmers with displaced production, production that has to be destroyed.

Mr. AKAKA. I understand that the Administration is supporting a $6 million amount for this program.

Mr. HERTZ. Yes, sir. Based on the last testing that has been done in that area it would indicate that approximately $5 million would cover the cost to the dairymen and the other million dollars would be used for the testing programs to continually test these herds until they become rid of the contamination and then the several byproducts and the meat itself.

Mr. AKAKA. Not knowing the details of this problem, will this extend beyond the fiscal year? I mean, the problem of contamination.

Mr. HERTZ. Yes, it could very well.

Mr. AKAKA. I also see that your budget justification has asked that the program be terminated and that no funds are being requested in 1987. In light of that fact and the fact that you are supporting a supplemental for this program and in light of the fact that indemnity losses will probably continue beyond the end of the year, is the Department considering changing its request that the program be terminated?

Mr. HERTZ. Well, I think, Congressman, the fact that we changed our regulations to cover the next four years shows that we are supporting the program. If we have the funds available to cover indemnities, yes, we will do that.

Mr. AMSTUTZ. We figure the $6 million will cover the problem regardless of its duration.

Mr. AKAKA. Well, I learned today that my friend, John Paul Hammerschmidt, I haven't spoken to him, but because of the similar problem I am very interested in this and would like to support it.

Thank you very much.

Mr. AMSTUTZ. It is interesting—when this problem hit in these States we quickly set up a task force to examine how to address the problem. It was clear that the only sensible way to address it is the Dairy Indemnity Program.

Mr. AKAKA. Thank you very much.

Thank you, Mr. Chairman.

PEANUT QUOTAS

Mr. WHITTEN. There are several personal matters bothering me. When I say "personal," they come from the inquiries that we have in my office right now. One of them is the way you change regulations.

I have complaints from all the peanut producers in my area that you have changed the regulation where they can't transfer acreage from one place to another if the crop is moved. What is the basis for that?

Who has charge of that? Is someone more familiar with it than you are? Many people write me. I have many peanuts farmers in my area. They say that for the 1986 to 1990 crops, if the quota is transferred off the farm on which the quota was established, credit will not be given for any type of transfer to the receiving farm—even if you transfer the quota that was established on the producing farm.

Are you familiar with this peanut situation?

Mr. HERTZ. Yes, sir. I believe the basis of those regulations was a statute.

Mr. WHITTEN. What does the statute provide?

Mr. HERTZ. The statute provides that peanuts cannot be transferred from one farm to another.

Mr. WHITTEN. In the recent farm bill?

Mr. HERTZ. Yes, it is the 1985 Act.

Mr. WHITTEN. Suppose you supply to the Committee the citation as to what is involved in it now. Up until recently you haven't enforced that requirement, have you?

I would appreciate it if you would give us that information.

Mr. AMSTUTZ. We will send it up. Just to correct the record, there was some mention of it in the 1981 farm bill, but the 1985 farm bill made it far more restrictive. We will send all that information up to you, Mr. Chairman.

[The information follows:]

PEANUT QUOTAS

Under the 1981 Act, peanut quotas on farms leased to a different operator were only reduced to the extent that it was necessary to satisfy the legislatively mandated reduction in the peanut poundage quota established for the State.

Title VII, section 702 of the Food Security Act of 1985, which amended subsections 358(s) (3), (4), and (5) of the Agricultural Adjustment Act of 1938, requires that quotas be reduced to the extent not produced or considered produced on the same farm. The quota reduced under this provision must be distributed to other farms in the State on which peanuts were produced in two or more of the previous three years.

This appears to be an effort on the part of Congress to get more of the quota in the hands of the people who are actually producing the peanuts, and we agree with that objective.

FARM PROGRAM LEGISLATION

Mr. WHITTEN. What bothers me is that the Farmers Home Administration was set up and its purpose has always been to help farmers in need. What we face now, will force them off their farms. I don't know what we can do. We should reverse that trend if we can figure out how. I believe it was six or eight years ago when we were talking to the President about abolishing the Department of Agriculture. It seems that OMB is going to do it internally through the budget process.

I mentioned it earlier. OMB has recommended in this year's budget about $9 billion in reductions for the Department of Agriculture. OMB has cut all of the conservation programs. It is offering a substitute where a man living in town can have a fish reserve, or have some timber. The OMB comes along and abolishes every activity we now have.

The Department pays a man price supports which fail to cover his costs, which are increasing steadily because of organized labor's right to strike and minimum wage law. The Department has gotten away from a law that worked all these years.

A good many of these things may be in the law, but there often is a misunderstanding, as I see it. I have here the quotation from the law that you mentioned about the 200 million pounds of red meat. Quote, subsection 2 of section 10, "The Secretary of Agriculture shall use funds available through the Commodity Credit Corporation to purchase 200 million pounds of red meat in addition to what these sponsors normally purchase and distributed by the Secretary to make such meat available to the Secretary of Defense on a non-reimbursable basis for use in commissaries on military installations located outside of the United States."

Now the word "commissaries", as I understand it, is maybe the PX or ship stores or whatever they may call it. But that is operated for the benefit of those in the service.

The producer gets nothing for that. So whoever wrote this must have anticipated that the sale of these cows would run the price of beef down. All the way through this you-refer to the law. But the law came from the Department, as I understand it.

Mr. AMSTUTZ. No, sir.

Mr. WHITTEN. This part did not?

Mr. AMSTUTZ. No, sir. None of these dairy provisions came from the Administration. So you have to look——

Mr. WHITTEN. I am kind of proud of you.

Mr. AMSTUTZ. But as I said this morning, we will fulfill the law.

FMHA LOANS

Mr. WHITTEN. I have seen a whole lot of places where Department people haven't fulfilled the law but I will give you credit for your statement. But the point I make is that everybody will have to agree that it is a terrible situation financially. Yet the head of the Farmers Home Administration, the finance agency that is supposed to look after these dire situations that come up, with all sorts of authority to make loans, out of the blue sky and without any law comes in and requires a positive cash flow requirement as a condition for a loan.

FmHA provides that the farmer has to show you he can pay all the back debt that he owes, even despite floods for three straight years in my area. Despite the facts, the Administrator comes along with much more severe restrictions.

In my area they have made about 20 percent of the loans they had last year. If we hadn't had that regulation—I am talking about the crop production loans—almost all that qualified last year could qualify again this year.

AGRICULTURAL SITUATION

Then again, as I say, all these things that we are doing, we are doing them to our biggest industry—agriculture, which is the cheapest and most economical supplier of food, and is our biggest earner in foreign trade—where our deficit is now running $140 to $150 billion a year for things we can produce ourselves. I can't understand how we can go after those people who take care of about 80 percent of the country, if you count cities 10,000 and below. I don't see how in the world we can stand that as a nation, and it is being done everywhere.

I don't know what we can do. The Office of Management and Budget seems to be running everything. I told Mr. Clark, the administrator of FmHA, the day before yesterday that if I can figure out what to do, I am surely going to do it, because all the rest is going down with agriculture if we don't do something.

And of all these cuts in Agriculture, none of them apply to the deficit or the debt. We have 335 overseas military establishments, and there is no question but what we are not pushing what we produce in foreign markets because we don't want to interfere with our military relationships.

As I said in the annual overview hearings before our committee, there are 125 countries where the people need food and clothing and we are selling them guns, ammunition and planes.

I don't farm. I left the farm at 12 years of age.

I saw you couldn't make anything for your hard work. But I do think agriculture is the basis of our prosperity, if we have any. It is the basis of our economy, but nobody seems to realize it.

What bothers me is that the Farm Credit Administraton is busy trying to look after the system. I haven't heard the FCA people saying a word about helping American agriculture make money.

What bothers me further is that in the one department in government that should have the job of fighting for the farmers' income, I don't see any activity. It just seems to be a lack of understanding that causes this.

As I said earlier, if we did take over Nicaragua, what kind of aid would we give them? Look at what we are giving to Japan, Korea and other places. It is unbelievable that we can't count on your people standing up to the White House, standing up to the State Department.

I don't know what we can do. Now, this committee is going to do the very best that it can to try to straighten it out. This is the second effort I have made during my years here.

We passed a bill here to return to the old law for CCC. It passed the House by 220 to 200, but we couldn't hold it in conference.

But what we do in this supplemental bill is just say the Department should return to those programs under which farmers made money to offset his costs which are brought on by law which gives labor and industry 73 percent of the consumer dollar and leaving the farmer 27 percent. I don't know if you have any suggestion as to what we can do to make this thing work. We will be glad to hear it.

But under the rules you are bound to limit yourselves to what is in the budget unless requested otherwise. So when I ask folks what they think, they are afraid to say anything.

Do you support the situation we now have? Do you believe in what you are doing? Can you recognize, Mr. Amstutz, what we have at risk and do you recognize that we should go back to something where the farmer gets his cost of production plus a reasonable profit?

Mr. AMSTUTZ. I certainly understand what we are up against. Mr. Chairman, I listen to you carefully and I understand exactly what you are saying. I said this morning and I sincerely meant it, that I am sure our objectives are the same. I am sure of that. We want a healthy agriculture.

Mr. WHITTEN. I can't believe that you don't.

Mr. AMSTUTZ. In my judgment there cannot be a healthy economy in the United States if there is not a healthy agriculture. We are an agricultural country in a real sense and always will be, should be. We have the resources. It is 20 percent of our gross national product or thereabouts now, and it should remain that or more. So our objectives are the same.

There surely is a difference of opinion as to how to approach, how to fulfill those objectives. If I didn't believe that American farmers really had enjoyed a comparative advantage over farmers in other countries, given what Secretary Block used to call a level playing field, I might feel differently, but I really think American farmers have a comparative advantage.

I understand there is this dilemma of higher input costs, higher labor costs here than in other countries. But fortunately, in agriculture there is an offset for that. The offset is the reality of this continuing agricultural revolution, all this new technology coming out of our land grant universities and elsewhere that allows farmers to produce more. Mr. Traxler was referring to it in cows. Right over the hill are cows that produce twice as much milk as they do now. Now we have smarter farmers than anywhere in the world.

I would defend that statement anywhere. They are able to use this technological input. So I think they can make up a lot of these cost differences with productivity increases.

Mr. **Whitten**. I would like to pursue it and again I want to put some of the highlights of this in the record here. I realize this is coming over a period of time, but you say why protect the farmers now? Sooner or later they are going to be out of business anyway.

What I see is that we have deliberately given our markets to our competitors. When I looked into this years ago, I found that to be true and it has continued through the years.

So some of the things that we see in the future may be hopeful. But when we deliberately, by refusing to sell, turn foreign markets over to our competitors, improved technology doesn't offset that. Common sense doesn't do it either.

Thank you for your appearance. Mr. Stenholm of the Agriculture Committee has some questions which we will ask you to answer for the record.

Dairy Termination Program

Mr. **Stenholm**. Did the USDA consider regional fluid utilizations when accepting bids to prevent regional shortage in milk this fall?

Response. The Department did not consider regional fluid utilization because the price support program is a national program which affects milk of all uses, not just fluid milk.

Mr. **Stenholm**. Why did the USDA take 68 percent of all bids in the first period resulting in about 67 percent of the milk cows, 63 percent of the heifers and 64 percent of the calves being liquidated during the first disposal period? How could that be considered orderly marketing?

Response. After assessing the signup data and ascertaining that a maximum bid of $22.50 per hundredweight would result in a reduction in milk marketings of the targeted 12 billion pounds from 1985 marketings, the accepted bids fell naturally into this pattern which met the statutory requirements of having a greater slaughter as a result of this program in each of the periods April through August 1986, and March through August 1987 than in the other months of the program. Flexibility for farmers to market animals freely within each period would not result in Government-imposed rigidities and deadlines which could be disruptive throughout each period. This flexibility enables dairy producers, as well as beef producers, to watch the market and sell when it is advantageous to them.

Mr. **Stenholm**. Why did the USDA rules allow for up to 50 percent of the milk cows to be liquidated prior to the participants accepted disposal period, and the opportunity to dispose of all heifers and calves prior to the participants accepted disposal period?

Response. The purpose was to keep at a minimum the interference with the producers' normal culling of the milking cow herd, to permit producers to market heifers and calves when it was to their best advantage, and above all, to avoid forcing all the marketing of the animals to occur within the disposal period.

Mr. **Stenholm**. Did the USDA do an impact study prior to the final acceptance of bids, since several bid acceptance scenarios could have been tried by computer and total program costs estimated?

Response. Before the bids were opened, the Department did not know what to expect. Our computers were programmed to analyze the data under as many scenarios as we could reasonably predict. After the data was received, several different scenarios were analyzed and the one chosen was judged to be the most cost and program effective. The Department published an impact study on March 10, 1986 (before the bids were summarized and analyzed). That study indicated that assuming the 12 billion target would be attained, some 900,000 cows and 500,000 heifers would be placed on the beef market. The corresponding numbers contained in contracts accepted were approximately 950,000 cows and 341,000 heifers. Furthermore, the impact study indicated that approximately 800,000 of those cows could be disposed of during April-September 1986 (the last half of the fiscal year) resulting in a reduction in milk production during the fiscal year of about 5 billion pounds.

Mr. **Stenholm**. Had the USDA considered that some replacement heifers and heavier calves could be put on feed and moved into the fed cattle market by a producer prior to accepted disposal period?

Response. Yes, as stated previously, the contract limited only the slaughter of cows prior to the accepted disposal period. All of the calves and heifers, and up to 50 percent of the cows could have been slaughtered before the beginning of the disposal period without violating the contract. This flexibility was specifically intended to help spread out the sales and slaughter of the animals controlled by the participants.

Mr. STENHOLM. Why wasn't more control given to press releases and program information about the buyout? Much information was given to the media about the program and that alone created a great deal of the price problem.

RESPONSE. Even with the short amount of time given, we feel the ASCS information effort, carried out in concert with the USDA's Office of Information, was consistent and controlled with reference to the Dairy Termination Program. Both the national and local media were provided with the same program facts through news releases at the national, State and county office level. In addition to program directives and the news releases, ASCS employees at all levels were provided with fact sheets for dairy producers and printed answers to expected questions from the media and producers.

Mr. STENHOLM. Why didn't the Department provide the industry with more statistical information as to the relative importance of the additional cow slaughter?

RESPONSE. The Department made available to the public all of the data it had at the time the program was announced. This included an announcement at the same time that USDA would purchase 400 million pounds of red meat and that such purchases would begin immediately.

RED MEAT PURCHASES

Mr. STENHOLM. If the Department felt that the impact from the additional cow beef supplies would be insignificant, why wasn't that fact released along with the final statistics?

RESPONSE. The impact study released by USDA indicated that the purchase of red meat and other statutory requirements would minimize the impact on beef, pork and lamb producers.

Mr. STENHOLM. Why did the USDA delay announcing bulk frozen beef purchases until after bids were accepted, and consequently will not open the first of the meat purchase bids until April 21, 1986?

RESPONSE. The Department announced its intent to purchase red meat under the Food Security Act in mid-March at the close of its regualr School Lunch Purchase programs. However, in setting up the program for purchasing the 400 million pounds of red meat authorized by the Act, consideration had to be given to the various fund sources, distribution outlets available, types of products to be purchased, and the timing of marketing under the milk production termination program. Decisions on these issues were made in late March, at which time documents were mailed to the meat industry. The first bids were not received until the week of April 14 in order to allow sufficient time for bidders to review the documents before submitting their bids.

DIARY TERMINATION PROGRAM

Mr. STENHOLM. What criteria were used to set the upper limit at $22.50, and how did the USDA determine the CRP bidders had asked unrealistically high compensation for retiring land from production since only 23 percent of the submitted land bids were accepted while 35 percent of the dairy bids were taken?

RESPONSE. The $22.50 maximum bid level will result in a reduction of 12.2 billion pounds of milk marketed from the 1985 marketings, at an average bid of $14.88 per hundredweight, while meeting all other statutory requirements regarding the disposition of cattle. With regard to the Conservation Reserve Program bids, many farmers simply bid far in excess of comparable land rental values. We believe farmers will have a better understanding of the program for the second signup, scheduled for May 5.

Mr. STENHOLM. Had the USDA considered an upper limit on program costs prior to selecting the range of bids to be accepted?

RESPONSE. Since the Department did not know what to expect in terms of the bids for the Diary Termination Program, no limits were put on prior to analyzing all of the bids.

Mr. STENHOLM. What is the potential for canceling any of the buyout contracts?

RESPONSE. There is no significant potential for cancelling contracts that have already been accepted. Only a very small percentage of contracts that were bid in the acceptable range have not yet been accepted for CCC. These include contracts for producers involved in bankruptcy proceedings, producers who have not furnished acceptable evidence of control of leased facilities through the nonproduction period, and producers with unresolved appeals filed in conjunction with their contract bid. The producers with unresolved appeals have the option of withdrawing their bid if the appeal is not granted.

[The statements follow:]

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
Statement of Milton Hertz, Acting Administrator
Before the House Subcommittee on Appropriations
for Agriculture, Rural Development and Related Agencies

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to discuss the fiscal year 1987 budget request for the Agricultural Stabilization and Conservation Service. The Food Security Act of 1985 includes important provisions for this agency, provisions which will have substantial effects on all facets of our mission -- conservation, stabilization, and service. I would like to highlight our request for all three of these areas.

Conservation Reserve

In formulating the 1985 Farm Bill, the Congress identified conservation as one of agriculture's most critical needs. The provisions of the Food Security Act give the national conservation effort a major new focus -- the Conservation Reserve Program.

This program is an investment in the future. Its primary objective is to help farmers prevent or control the critical soil erosion now occurring on more than a third of America's cropland -- a condition which, if left unchecked, would reduce the Nation's long-term capacity to produce food and fiber. At the same time, the program will help adjust the production of some agricultural commodities currently in surplus -- cotton, sorghum, wheat, corn, soybeans, and small grains. These objectives will be accomplished by removing from cultivation for a decade or more as many as 45 million acres of highly erodible cropland.

Farmers who place land in the reserve will enter into 10-year contracts in which they agree to remove land from production and install permanent vegetative cover. One of the eligibility criteria for cropland accepted into the reserve is that it must be eroding at a rate of at least three times the tolerance level -- that is, three times the rate at which soil forms -- so that the greatest conservation benefit will be achieved. The Soil Conservation Service will determine eligibility of the land and provide other technical assistance; the Forest Service will provide technical assistance for tree planting; and the Extension Service will lead the effort to inform landowners about the reserve and encourage participation.

Program plans call for enrolling a minimum of 5 million acres in 1986 and 10 million acres in 1987, up to a maximum of 45 million acres by 1990. The Budget includes $740 million for the first 15 million acres -- $190 million in 1986 and $550 million in 1987. However, during the signup held March 3 through 14, so many of the bidders asked unrealistically high rental payments that the enrollment target could not be met. Consequently, we have accepted 838,000 acres at this time and will offer a second 1986 signup period beginning May 5. Another signup is contemplated for the 1987 program year later this summer.

Other Conservation Programs

The 1987 Budget includes proposals to terminate the Agricultural Conservation Program, Forestry Incentives Program, Water Bank Program, and Emergency Conservation Program cost-share programs in fiscal year 1987. Major reductions to some of the programs were also proposed in fiscal year 1986, including rescission proposals for the Agricultural Conservation Program and

Water Bank Program. We recognize that any decision to terminate a program is a difficult one. However, in light of the Nation's current budget deficit situation, we believe that these proposals are prudent ones and, given the major resource commitment of the Conservation Reserve Program, will have minimal impacts on overall efforts to preserve our valuable natural resources.

Commodity Credit Corporation
Commodity Program Outlays

High 1985 crop production, a projected decrease in exports, and pressure on market prices are expected to produce record CCC outlays of $20.3 billion in fiscal year 1986. In fiscal year 1987, the first year that the new Farm Bill will be fully in effect, CCC outlays are expected to decline to $16.2 billion. This decrease is attributed primarily to lower projected loan activity for 1986 crops as a result of reduced loan rates under the new Farm Bill, and to partial 1986-crop deficiency payments being made in advance at producer signup.

The fiscal year 1986 and 1987 CCC outlay estimates include the $823 million in reductions required by the 1986 sequester order. Due to the fact that outlays for any crop-year program generally are made over portions of two fiscal years, CCC spending reductions for the 1986-crop programs will occur in both fiscal year 1986 and fiscal year 1987. The Department announced on February 12 how the reductions under the Gramm-Rudman-Hollings Act will be applied to specific CCC programs. However, I would like to emphasize, Mr. Chairman, that the reductions will generally be applied by deducting 4.3 percent from amounts otherwise due under the programs subject to reduction. 1986 target prices and loan rates will remain unchanged.

CCC Borrowing Authority

This year the CCC is again in urgent need of additional capital to meet its program payment requirements. Because CCC was near the borrowing limit at the end of fiscal year 1985 and is projected to be close to the limit at the end of fiscal year 1986, its appropriation needs approximate the fiscal year 1986 net outlay estimate of $20.3 billion. The President's Budget included a permanent, indefinite supplemental appropriation request estimated at $7.950 billion. The Department subsequently testified in support of a total estimate of $8.850 billion. A total of $6.493 billion was appropriated in February and March. Without action by the Congress to provide for the balance of the President's request, CCC will be unable to finance all of its fiscal year 1986 payment requirements.

Our fiscal year 1987 budget proposal also reflects appropriation language changes which would provide permanent, indefinite appropriation authority for the Treasury to reimburse CCC for net realized losses. This proposed method of reimbursement would help avoid the interruptions in CCC operations that have been required in both fiscal year 1985 and 1986. In 1987 this reimbursement would total an estimated $16.8 billion which, again, is near the level of fiscal year 1987 CCC outlays.

Administrative Support

In fiscal year 1986, workload associated with implementing new Farm Bill provisions, record 1985-crop loanmaking in ASCS county offices, and an associated high level of loan and forfeiture activity in Kansas City field offices will place a major strain on ASCS operations. To support this workload, we are urgently requesting a supplemental of $71.6 million in CCC transfer authority for the ASCS Salaries and Expenses Account. However, even with favorable consideration of this supplemental, the timely administration of CCC programs will be significantly affected by the reduction of $18.7 million required by the 1986 Gramm-Rudman sequester order.

In Federal offices, we plan to achieve the 1986 Gramm-Rudman savings through equitable reductions in both personnel costs and other administrative costs. This plan includes a possible limited furlough for all Federal employees. In county offices, across-the-board reductions of 4.3 percent have been made to county office administrative allocations in all States, resulting in an estimated reduction of 767 county office staff-years below anticipated needs, largely in temporary employment.

In fiscal year 1987, we are proposing a net decrease in CCC transfers of $55 million from the adjusted fiscal year 1986 level. Beginning in fiscal year 1987, in order to reduce Federal funding for the administration and delivery of farm programs, we plan to implement expanded service fees in county offices. The fees will recover county office administrative costs related to 1986-crop programs from which a producer receives a direct benefit. These revenues, estimated at $46.3 million, would reduce the amount of funds that would otherwise have to be transferred from the CCC to ASCS. This proposal, which can be implemented under existing authorities, would reduce the 1987 Federal deficit by a like amount. The remaining $8.7 million net decrease is primarily due to increased automation savings under our State and county office automation project, partly offset by workload related to the new farm bill.

This concludes my prepared remarks. I will be happy to answer any questions you may have.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service (ASCS) was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913). The warehouse examination function was transferred from the Agricultural Marketing Service to ASCS under Secretary's Memorandum 1020-15, effective May 13, 1984. The U.S. Warehouse Act (7 U.S.C. 241-273) is the legislative authority for this program.

The ASCS conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, ASCS also obtains recommendations and advice in the formulation of program plans and policies. There are 50 ASC State committees, an ASC committee in Puerto Rico, and 3,054 county committees. The Washington headquarters offices and the Kansas City field offices are the principal staff offices for carrying out activities of the Commodity Credit Corporation (CCC). Such functions include accounting for loans and purchases; acquisition, management, storage, and disposition of commodities; and related transportation and accounting activities.

ASCS licenses warehouses and performs inspections of these facilities, for a fee, to reduce the risk of financial loss to depositors storing commodities at licensed facilities. Inspections are also performed on non-licensed facilities that have storage contracts with CCC for commodities owned by or pledged as collateral to CCC.

Permanent, full-time, end-of-year Federal employment for ASCS for fiscal years 1985, 1986, and 1987 is as follows:

Federal Employment	FY 1985 (actual)	FY 1986 (est.)	FY 1987 (est.)
Washington	536	524	524
Field Offices (States, Kansas City field offices, and Aerial Photography Field Office)	1,888	1,952	1,855
TOTAL FEDERAL	2,424	2,476	2,379
ASCS county office staff-years are as follows:	13,279	15,631	13,509

Following are the principal programs and funding related to ASCS operations:

1. Salaries and Expenses Account. The administrative expenses of Agency programs and other functions assigned to ASCS are funded by this account. The account was established by the Agricultural Appropriation Act of 1963 (P.L. 87-879) to

simplify budgetary and accounting requirements and recordkeeping. Salaries and expenses for administering commodity price support, related CCC programs, warehouse examinations, conservation, and all other programs are financed by funds transferred from the CCC, by user fees, and various advances and reimbursements. The Agricultural Appropriation Act of 1964 (P.L. 88-250) authorized the merger of all sources of administrative expense funds, including those transferred from CCC.

2. Agricultural Conservation Program. This program is authorized by sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act (P.L. 74-46), as amended and supplemented; sections 1001-1004, 1006-1008 and 1010 of the Agricultural Act of 1970 (P.L. 91-524), as added by the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86); and the Energy Security Act of 1980 (P.L. 96-294). It is carried out in accordance with the National Program for Soil and Water Conservation priority commitment to conservation, which provides for the redirection of conservation program activities to focus on the highest priority resource problems and the areas of the country most acutely affected by these problems. A targeted area receives extra assistance until its problem has been brought under control. The program's primary objective is to conserve the nation's agricultural soil and water resources in order to ensure a continuing adequate supply of food and fiber while enhancing the environment. Reduction of soil erosion is the first concern in conservation efforts.

   The ACP is a primary channel through which the Federal Government shares with farmers and ranchers the cost of carrying out approved soil, water, woodland, and wildlife conservation practices on their land to help solve critical conservation problems and improve water quality. Through the ACP farmers and landowners receive assistance of up to 75 percent of the cost of performing enduring conservation practices that would not be carried out without ACP assistance. A variable cost-share level is also used by counties on a voluntary basis to help get more conservation on the land for the same or less cost by better relating cost-share levels to the severity of the erosion and the amount of soil savings obtained. Payment is provided at levels commensurate with the severity of the erosion and the degree of success in solving the problems.

   The program is developed jointly by ASC committees, the Soil Conservation Service, the Forest Service, and in most instances, the soil and water 45nservation districts and State conservation commissions. Program development is in consultation with National, State and county ACP conservation review groups, the Cooperative Extension Service, the Farmers Home Administration, and representatives of local agencies and nongovernmental organizations. The Soil Conservation Service, Forest Service and State forestry agencies provide technical program guidance to ASC committees as well as technical aid to farmers in carrying out conservation practices. The ACP is administered by ASC State, county and community farmer-elected committees, working under the general direction of ASCS.

3. Forestry Incentives Program. This program is authorized by the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313). Its objectives are to increase the Nation's production of sawtimber and pulpwood on nonindustrial private forest lands, to decrease, over time, expected shortages and rising prices of timber, and to help ensure effective use of available forest lands. Program objectives are met by providing cost-share and technical assistance to landowners to encourage voluntary installation of forestry practices. The program shares up to 65 percent of the cost incurred by the landowner for tree planting and timberstand improvement.

4. Water Bank Program. This program is authorized by the Water Bank Act (P.L. 91-559), enacted December 1970, as amended by P.L. 96-182, enacted January 1980. Its objectives are to conserve surface water; preserve and improve migratory waterfowl and wildlife-related resources; reduce runoff, soil and wind erosion; improve flood control; contribute to improved soil moisture; reduce the acreage of land brought into agricultural production; retire land now in production; enhance landscape aesthetics; and promote comprehensive water management planning. Agreements are entered into with landowners and operators in important migratory waterfowl nesting, breeding and feeding areas for the conservation of specified wetlands. The agreements are for ten-year periods with provision for renewals for additional periods. Rates are established by the ASC State committee based on prevailing local land values. Payment rates may be adjusted at the beginning of the fifth year of the agreements to reflect current land values.

5. Emergency Conservation Program. This program is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334). Its objective is to restore to normal agricultural use farmlands damaged by wind erosion, hurricanes, floods or other natural disasters, and designated as eligible for assistance by ASC county committees. Also included under the program are water conservation and water enhancement practices which provide drought emergency assistance to eligible persons during periods of severe drought as determined by the ASCS Deputy Administrator for State and county operations. Up to 64 percent of the cost of carrying out approved practices under this program are shared with farmers.

6. Rural Clean Water Program. This experimental program is authorized by the Agricultural Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528). The program is a cooperative endeavor among farmers, various USDA agencies, and EPA to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. Improved water quality is achieved, in keeping with water quality goals and standards, in a cost effective manner. The program provides 3- to 10-year financial and technical assistance for the installation and maintenance of practices to control water pollution on agricultural lands in selected project areas. Treatment measures for each farm are based on an approved water quality plan. The effectiveness of these practices in reducing pollutants is also evaluated.

7. Dairy Indemnity Program. This program funds indemnity payments to dairy farmers and manufacturers of dairy products. It was authorized by the Economic Opportunity Act of 1964 (P.L. 88-452) and was extended through September 30, 1985, by the Agriculture and Food Act of 1981. Under this program, payments are made to farmers who are directed to remove their milk from commercial markets because the milk contains (1) residues of chemicals which have been registered and approved by the Federal Government, (2) residues of other chemicals and toxic substances, or (3) nuclear fallout. The authority also provides indemnity payments for cows producing such milk.

8. Commodity Credit Corporation Program Activities. Various commodity price support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the CCC programs. The Administrator of ASCS is ex-officio Executive Vice President of the Corporation.

Additional information on the commodity price support and related activities of the Commodity Credit Corporation is found elsewhere in these Explanatory Notes.

9. Foreign Assistance Program and Other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorize the use of CCC funds and facilities to implement the programs. Under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended, the Corporation finances the sale of exported agricultural commodities (Titles I and III) and donates commodities to friendly nations in times of famine or other emergencies in order to combat malnutrition (Title II). Funds for these programs are made available to the Corporation for its costs incurred or to be incurred in connection with these activities. Additional information on these programs is found elsewhere in these Explanatory Notes.

10. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's emergency preparedness work. This activity includes defense readiness for food production; domestic distribution of farm machinery, fertilizer, feed, and seed; food processing and storage; and distribution through the wholesale level. ASCS also performs certain services for other Federal agencies and others on an advance or reimbursable payment basis.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Available Funds and Staff-Years
1985 Actual and Estimated 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries & Expenses, ASCS:						
Appropriation......	$50,857,000		--		--	
Transferred to Office of Transportation	-301,000		--		--	
Transferred to Dept'l Administration..........	-112,000		-115,000		--	
Transferred to Office of Gov't and Public Affairs..........	-17,000		-30,000		--	
Transferred from Rental Payments and Building Operations.......	296,000		198,000		--	
Transfers from CCC authorized in Appropriation Act	344,199,000		$472,419,000		$417,396,000	
Total, Salaries and Expenses, ASCS.....	394,922,000	2,605	472,472,000	2,790	417,396,000	2,434
Dairy Indemnity Program..............	100,000		99,000		--	
Agricultural Conservation Program.........	190,000,000		188,860,000		--	
Forestry Incentives Program..............	12,500,000		12,425,000		--	
Water Bank Program.....	8,800,000		8,747,000		--	
Subtotal, ASCS	606,322,000	2,605	682,603,000	2,790	417,396,000	2,434
Obligations under other USDA appropriations	39,963,000	217	30,204,000	237	27,796,000	240
Total Agriculture and Related Agencies Appropriations.......	646,285,000	2,822	712,807,000	3,027	445,192,000	2,674
Other Federal Funds....	876,000	1	883,000	1	882,000	1
Non-Federal Funds......	15,982,000	73	34,266,000	62	63,117,000	65
Total, Agricultural Stabilization and Conservation Service..	663,143,000	2,896	747,956,000	3,090	509,191,000	2,740

Full-Time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling....................	2,816	3,030	2,680
Non-ceiling................	80	60	60
Total....................	2,896	3,090	2,740

Note: Staff-years shown do not include staff-years for ASCS county and community committee persons and employees of ASCS county committees who are not Federal employees.

ASCS county employee staff-years are as follows:

FY 1985 - 13,279
1986 - 15,631
1987 - 13,509

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES 6	1	--	1	1	--	1	1	--	1
ES 5	3	--	3	3	--	3	3	--	3
ES 4	6	1	7	6	1	7	6	1	7
ES 3	4	--	4	4	--	4	4	--	4
ES 2	2	1	3	2	1	3	2	1	3
ES 1	1	--	1	1	--	1	1	--	1
GS/GM 15	44	32	76	44	32	76	44	32	76
GS/GM 14	70	46	116	70	46	116	70	46	116
GS/GM 13	127	144	271	127	144	271	127	144	271
GS 12	66	499	565	66	499	565	66	499	565
GS 11	24	244	268	14	273	287	14	223	237
GS 10	1	10	11	1	10	11	1	10	11
GS 9	17	177	194	15	212	227	15	190	205
GS 8	7	30	37	7	30	37	7	30	37
GS 7	50	114	164	50	114	164	50	114	164
GS 6	62	88	150	62	88	150	62	88	150
GS 5	17	303	320	17	303	320	17	278	295
GS 4	13	129	142	13	129	142	13	129	142
GS 3	12	22	34	12	22	34	12	22	34
GS 2	2	1	3	2	1	3	2	1	3
GS 1	--	--	--	--	--	--	--	--	--
Ungraded Positions	7	47	54	7	47	54	7	47	54
Total Permanent Positions	536	1,888	2,424	524	1,952	2,476	524	1,855	2,379
Staff-Years:									
Ceiling	578	2,238	2,816	596	2,434	3,030	547	2,133	2,680
Non-Ceiling	4	76	80	3	57	60	3	57	60
TOTAL	582	2,314	2,896	599	2,491	3,090	550	2,190	2,740

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS

Agency Summary

1985 and Estimated 1986 and 1987

	1985	1986	1987
Personnel Compensation:			
Headquarters	$18,759,779	$20,255,250	$18,153,000
Field	56,279,335	60,765,750	54,459,000
11 Total personnel compensation	75,039,114	81,021,000	72,612,000
12 Personnel Benefits ...	9,435,747	10,113,000	9,484,000
13 Benefits for former personnel	784,512	948,000	2,130,000
Total Pers. Comp. & Benefits	85,259,373	92,082,000	84,226,000
Other Objects:			
21 Travel	3,406,456	3,972,000	3,869,000
22 Transportation of things	597,890	853,000	562,000
23 Rent, communications and utilities	11,255,980	17,965,000	20,537,000
23.1 Standard level user charges............	95,971	33,000	50,000
24 Printing and reproduction	2,708,056	3,445,000	3,411,000
25 Other services	9,911,145	14,342,000	15,000,000
26 Supplies and materials	3,569,956	3,693,000	3,453,000
31 Equipment	447,406	874,000	861,000
41 Grants, subsidies, and contributions ..	492,587,251	455,296,836	285,392,000
42 Insurance claims and indemnities ...	1,762,183	33,000	33,000
43 Interest and dividends	3,186	2,000	2,000
Total other objects	526,346,484	500,508,836	332,170,000
Total direct obligations ..	611,604,853	592,590,836	417,396,000
Position Data:			
Average Salary, ES positions	$68,700	$68,700	$68,700
Average Salary, GS positions	29,406	29,406	29,600
Average Grade, GS positions	9.57	9.57	9.59

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses (Including Transfers of Funds):

> For necessary administrative expenses of the Agricultural Stabilization
> and Conservation Service, including expenses to formulate and carry out
> programs authorized by title III of the Agricultural Adjustment Act of
> 1938, as amended (7 U.S.C. 1301-1393); the Agricultural Act of 1949, as
> amended (7 U.S.C. 1421 et seq.); sections 7 to 15, 16(a), 16(f), and 17
> of the Soil Conservation and Domestic Allotment Act, as amended and
> supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q); sections
> 1001 to 1004, 1006 to 1008, and 1010 of the Agricultural Act of 1970 as
> added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C.
> 1501 to 1504, 1506 to 1508, and 1510); the Water Bank Act, as amended
> (16 U.S.C. 1301-1311); the Cooperative Forestry Assistance Act of 1978
> (16 U.S.C. 2101); sections 401, 402, and 404 to 406 of the Agricultural
> 1 Credit Act of 1978 (16 U.S.C. 2201 to 2205); the United States Warehouse
> Act, as amended (7 U.S.C. 241-273); and laws pertaining to the Commodity
> 2 Credit Corporation, [$400,821,000] $417,396,000, [: Provided, That not to
> exceed [$400,821,000] of the above amount may be transferred to this
> account] to be derived by transfer from the Commodity Credit
> 3 Corporation fund: Provided further, That, subject to the approval of the
> Secretary of Agriculture, in addition not to exceed $46,300,000 may be
> transferred to this account from the Commodity Credit Corporation fund to
> replace unrealized estimated receipts from service fees: Provided, That
> other funds made available to the Agricultural Stabilization and
> Conservation Service for authorized activities may be advanced to and
> merged with this account: Provided further, That these funds shall be
> available for employment pursuant to the second sentence of section 706(a)
> of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $100,000
> shall be available for employment under 5 U.S.C. 3109: Provided further,
> 4 That no part of the funds [appropriated or] made available under this Act
> shall be used (1) to influence the vote in any referendum; (2) to influence
> agricultural legislation, except as permitted in 18 U.S.C. 1913; or (3) for
> salaries or other expenses of members of county and community committees
> established pursuant to section 8(b) of the Soil Conservation and Domestic
> Allotment Act, as amended, for engaging in any activities other than
> advisory and supervisory duties and delegated program functions prescribed
> in administrative regulations.

The first change in language adds the citation necessary to reflect that ASCS is administering the United States Warehouse Act responsibility which was transferred to ASCS on May 13, 1984.

The second change clarifies existing language regarding CCC transfer authority.

The third change in language authorizes additional transfers to ASCS from the Commodity Credit Corporation, subject to approval of the Secretary of Agriculture, not to exceed $46,300,000, but only to the extent that projected receipts from service fees are not collected in the amount shown in the budget. The ASCS plan to charge for county office functions related to direct producer benefits covers about 13 percent of county office workload. The authority to provide for any shortfall in fee receipts is essential in order to fund county office operations at a level sufficient for the proper administration of farm programs, since staff must be maintained to carry out extremely volatile program operations whether they are service or non-service fee related.

The fourth change proposes conforming technical changes due to the elimination of the direct appropriation component of this consolidated account by Congress in FY 1986.

Agricultural Stabilization and Conservation Service

SALARIES AND EXPENSES - CURRENT LAW

	Direct Appropriation	Transfers from Commodity Credit Corporation	Total
Appropriation Act, 1986.............	--	$400,821,000	$400,821,000
Budget Estimate, Current Law, 1987..	--	417,396,000	417,396,000
Increase in Transfers...............	--	+16,575,000	+16,575,000
Adjustments in 1986			
Appropriations Act, 1986..........	--	400,821,000	400,821,000
1986 Supplemental Transfers for Farm Bill and increased loan activity........................	--	+71,598,000	71,598,000
Transfer from Rental Payments Building Operations a/.........	+$198,000	--	198,000
Transfer to Departmental Administration b/..............	-115,000	--	-115,000
Transfer to Office of Governmental and Public Affairs b/..........	-30,000	--	-30,000
Adjusted Base for 1986............	53,000	472,419,000	472,472,000
Budget Estimate, Current Law, 1987..	--	417,396,000	417,396,000
Decrease from adjusted 1986.........	-53,000	-55,023,000	-55,076,000

a/ Reflects estimated SLUC appropriation transferred to ASCS from the Department as a result of State Offices occupying non-GSA space.

b/ Reflects activities previously financed on a reimbursable basis.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation and CCC transfers)

Item of Change	1986 Estimated	Management Savings	Program Changes	1987 Estimates
Decrease for Consolidation of County Offices......	--	-$1,400,000	--	-$1,400,000
Decrease for A-76 Savings.	--	-188,000	--	-188,000
Decrease for Transfer to Departmental Administration.........	-$115,000	+31,000	--	-84,000
Decrease for Transfer to Office of Governmental and Public Affairs.....	-30,000	+15,000	--	-15,000
Decrease for State and County Office Automation Project Automation Savings.....	--	-20,388,000	--	-20,388,000
Decrease for Service Fee Implementation in County Offices.................	--	-46,300,000	--	-46,300,000
Increased Workload........	472,617,000	--	+$13,154,000	485,771,000
TOTAL AVAILABLE.......	$472,472,000	-$68,230,000	+$13,154,000	$417,396,000

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation and adjusted CCC transfers)

	1985 Actual		1986 Estimated			1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Program formulation and appraisal....	$14,509,571	96	$17,472,177	103	-$2,028,525	$15,443,652	90
2. Operation of supply adjustment, conservation and price support program.........	337,249,481	2,236	406,110,060	2,394	-47,149,500	358,960,560	2,093
3. Inventory management and merchandising.......	40,391,507	268	48,638,763	287	-5,646,975	42,991,788	251
4. Warehouse examination..	201,274	5	251,000	6	-251,000	a/	--
Unobligated balance......	2,570,167	--	--	--	--	--	--
Total available or estimate..	394,922,000	2,605	472,472,000	2,790	-55,076,000	417,396,000	2,434
Transfers from CCC transfer authority....	-344,199,000	-2,265	-400,821,000	-2,790			
Transferred to Departmental Administration.........	+112,000	--	+115,000	--			
Transferred to OGPA.........	+17,000	--	+30,000	--			
Transferred from Rental Payments & Building Operations...	-296,000	--	-198,000	--			
Transferred to Office of Transportation.........	+301,000	--	--	--			
Proposed Supplemental for Farm Bill and record high loan activity.........	--	--	-71,598,000	--			
Total, appropriation	50,857,000	340	-0-	-0-			

a/ Cotton warehouse examinations, funded by CCC transfer authority in FY 1985 and FY 1986, are proposed on a user fee basis for FY 1987.

JUSTIFICATION OF INCREASES AND DECREASES

An overall net decrease of $55,076,000 for ASCS farm program administration ($472,472,000 available in FY 1986, including the proposed supplemental) consisting of:

(1) A net decrease of $68,230,000 for management and other savings reflecting:

  (a) A decrease of $1,400,000 for the consolidation of County Offices.

  (b) A decrease of $188,000 for contracting of Agency services pursuant to A-76 initiatives.

  (c) An increase of $31,000, reflecting a reduction in the amount transferred to Departmental Administration to fund activities previously financed on a reimbursable basis.

  (d) An increase of $15,000, reflecting a reduction in the amount transferred to Office of Governmental Affairs to fund activities previously financed on a reimbursable basis.

  (e) A decrease of $20,388,000 related to additional SCOAP automation savings.

  (f) A decrease of $46,300,000 for the implementation of service fees in ASCS County Offices. Fees charged producers would relate to direct benefits such as loans and payments.

(2) A net increase of $13,154,000 related to administering mandated 1985 Farm Bill provisions enacted December 23, 1985. These provisions include an increase in the minimum acreage to be placed in the Conservation Reserve Program, revisions to the ASC county and community committee election process to be effective in FY 1987, 1986 crop carryover in-kind provisions for wheat and feed grains, marketing loans, and other loan activity for 1986 and 1987 crops.

EXPLANATION OF PROGRAM

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of program administration and other functions assigned to ASCS. The Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs. Funds made available to ASCS by other agencies for services associated with various programs are also advanced to and merged with this account. These transfers consolidate all administrative funds used by ASCS into one account, which provides clarity and better management and control of funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation, and commodity support programs have a major impact on the national and, to a lesser extent, the international economy. This activity provides for constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate more effective programs.

2. Operation of supply adjustment, conservation, and price support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases, and yields; (e) notifying producers of established allotments, bases, and yields; (f) determining farm marketing quotas; (g) handling appeals; (h) conducting referendums and certifying results; (i) accepting farmer certifications and checking compliance; (j) accepting producer applications for participation in commodity price stabilizing programs; (k) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (l) processing producer requests for conservation cost-sharing; (m) processing commodity, storage facility, and grain reserve loans and repayments and issuing CCC checks; (n) processing diversion and deficiency payments and issuing CCC checks; and (o) monitoring payment limitations.

3. Inventory management and merchandising. This activity includes: (a) overall management of CCC-owned commodities; (b) selling commodities; (c) donating commodities; and (d) accounting for loans and commodities.

The foregoing activities serve as administrative support for the following missions of the Department as described previously under Foreign Assistance Programs, Agricultural Stabilization and Conservation Service, and Commodity Credit Corporation, respectively:

Agricultural exports
Environmental improvement and resource development and use
Farm income

4. Warehouse Examination. This activity provides for the examination of warehouses licensed under the U.S. Warehouse Act and non-licensed warehouses storing CCC-owned or pledged commodities. ASCS examiners perform periodic examinations of the facilities and the warehouse records to ensure protection of depositors against potential losses of the stored commodities and to ensure compliance with the U.S. Warehouse Act and any CCC storage agreements.

The following tabulation shows totals in this account for administrative expenses:

Project	1985 Actual	1986 Estimated	1987 Estimated
The obligations are distributed by activities as follows:			
1. Program formulation and appraisal....	$16,409,464	$19,667,572	$18,620,805
2. Operation of supply adjustment, conservation, & price support programs..	381,409,155	457,138,160	432,807,900
3. Inventory management & merchandising of commodities......................	45,680,398	54,750,268	51,836,295
4. Warehouse examination...............	5,674,000	6,269,000	5,926,000
Total..............................	449,173,017	537,825,000	509,191,000
Obligations under direct appropriation and CCC transfers:			
ASCS................................	392,351,833	472,472,000	417,396,000
Obligations under funds from other sources and consolidated with this account	56,821,184	65,353,000	91,795,000 a/
Total..................................	449,173,017	537,825,000	509,191,000

a/ Includes $46,300,000 in estimated receipts from service fees at county offices.

HOW ESTIMATES ARE MADE

Following is a brief description of the process for estimating requirements for Salaries and Expenses, ASCS:

County Offices. A work measurement study is made in approximately 160 counties to determine actual time required to complete units of work by category. Time and units reported by these work measurement counties are used to establish coefficients. Coefficients are then applied to units of work reported by all 2,695 headquarter counties for each category of work in each major program or function. Unmeasured work reflects other activities, less subject to this work measurement technique, which are recorded on an actual basis. This determines the normal work-days required for the workload involved in each fiscal year. The workload for each major program or function is shown in Table I and reflects changes in program requirements.

The actual obligations for 1985, divided by the actual work-years, determined the average work-year cost for 1985. This cost was revised for 1986 and 1987 to reflect related pay adjustments for changing workload and personnel requirements.

State, Field, and National Office Costs. Requirements for these offices are determined on the basis of past experience and program workload requirements. Table II reflects volume by major activity for field and national offices.

COMPUTATIONS FOR DEVELOPING COUNTY OFFICE AND TOTAL COSTS

Fiscal Year 1985

Normal work-days (Table I)	3,452,618	
Work-years for workload programs	13,279	a/
Obligations for workload programs (county offices)	$316,622,000	a/
Obligations for other offices	$132,551,017	
Total obligations, fiscal year 1985	$449,173,017	

Fiscal Year 1986

Normal work-days (Table I)	4,063,961	
Work-year requirements for workload programs	15,631	a/
Obligations for workload programs (county offices)	$386,332,000	a/
Obligations for other offices	$151,493,000	
Total estimated obligations, fiscal year 1986	$537,825,000	

Fiscal Year 1987

Normal work-days (Table I)	3,512,317	
Work-year requirements for workload programs	13,509	a/
Obligations for workload programs (county offices)	$363,209,000	a/
Obligations for other offices	$145,982,000	
Total estimated obligations, fiscal year 1987	$509,191,000	

NOTE: The above computations include all funds (Appropriated, CCC transfers, User Fees, and other Advances and Reimbursements) available to Salaries and Expenses, ASCS.

a/ The following work-years and funds are included for reimbursable county office workload associated with the Federal Crop Insurance Act of 1980.

	FY 1985		FY 1986		FY 1987	
	Work-Years	Dollars	Work-Years	Dollars	Work-Years	Dollars
FCIC	714	$16,404,504	274	$6,613,564	183	$4,257,021
Reinsured Companies	*	331	3	2,000	3	2,000
Total	714	$16,404,835	277	$6,615,564	186	$4,259,021

*Less than 1 work-year.

TABLE I

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
SALARIES AND EXPENSES, ASCS

Normal Work-Days by Program/Function
FY 1985 Actual, FY 1986 Estimated and FY 1987 Projected

	FISCAL YEAR		
Program/Function	1985 Actual	1986 Estimated	1987 Projected
Conservation and Related Programs...........	247,885	392,773	410,824
Wool and Mohair................	15,796	15,796	15,796
Loan Activity.................	399,840	806,094	865,754
Compliance....................	410,009	451,522	462,810
Yields and Bases Establishment.	169,760	302,276	259,671
Commodity Program Payments..................	387,131	473,034	470,600
Basic Farm Records............	481,663	382,792	283,553
Peanut Quotas and Marketings...	25,815	25,815	25,815
Tobacco Allotments and Marketings................	85,808	85,808	85,808
Referenda.....................	492	20,514	127
Administration................	523,798	589,159	565,967
Committee Elections...........	88,389	88,389	94,504
Emergency Feed Assistance Program...................	10,519	2,246	0
Unmeasured....................	225,653	131,043	131,043
Measurement Services..........	145,312	161,038	161,038
SCOAP Implementation..........	48,953	229,141	70,247
County Automation Reductions...	0	-165,507	-400,660
Management Initiatives.........	0	0	-39,000
Subtotal....................	3,266,823	3,991,933	3,463,897
FCIC and Reinsured Companies...	185,795	72,028	48,420
Total.....................	3,452,618	4,063,961	3,512,317

TABLE II

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

Item and Commodity		FY 1985 Actual	FY 1986 Estimated	FY 1987 Estimated
1. LOANS MADE				
Upland Cotton (bales)		3,220	7,235	5,600
Corn (bu)		1,133,937	2,693,100	1,565,000
Grain Sorghum (bu)		115,179	375,700	220,000
Rice, Rough (cwt)		60,653	65,652	71,890
Wheat (bu)		677,263	614,354	546,000
Soybeans (bu)		277,444	550,000	545,000
Other Grains (bu)*		118,002	117,900	91,300
Honey (lb)		102,348	104,895	147,066
ELS Cotton (bales)		21	30	26
2. ACQUISITIONS				
Upland Cotton (bales)	Regular	24	1,177	4,600
	PIK	80	--	--
	Total	104	1,177	4,600
Corn (bu)	Regular	62,460	338,425	649,800
	PIK	4,206	--	--
	Total	66,666	338,425	649,800
Grain Sorghum (bu)	Regular	70,089	88,649	79,356
	PIK	1,207	--	--
	Total	71,296	88,649	79,356
Rice, Rough (cwt)	Regular	33,145	46,433	43,695
	PIK	23	--	--
	Total	33,168	46,433	43,695
Wheat (bu)	Regular	195,285	381,769	304,000
	PIK	50,390	--	--
	Total	245,675	381,769	304,000

(continued next page)

TABLE II (continued)

Item and Commodity	FY 1985 Actual	FY 1986 Estimated	FY 1987 Estimated
ACQUISITIONS (cont.)			
Soybeans (bu)	26,908	130,000	140,000
Other Grains (bu)*	28,196	71,635	39,462
Honey (lb)	134,232	112,921	-1,603
ELS Cotton (bales)	10	--	--
Dairy Products (lb)**	1,543,080	1,509,623	995,901
3. DISPOSITIONS a/			
Upland Cotton (bales)			
Regular	28	--	--
PIK	97	--	--
Total	125	--	--
Corn (bu)			
Regular	33,952	24,175	39,200
PIK and Export Enhancement	95,138	35,800	341,600
Total	129,090	59,975	380,800
Grain Sorghum (bu)			
Regular	35,948	12,776	13,556
PIK and Export Enhancement	4,993	5,000	36,800
Total	40,941	17,776	50,356
Rice, Rough (cwt)			
Regular	11,841	4,654	4,982
PIK and Export Enhancement	5,452	30,100	51,759
Total	17,293	34,754	56,741
Wheat (bu)			
Regular	57,410	33,797	36,781
PIK and Export Enhancement	65,930	190,200	216,200
Total	123,340	223,997	252,981
Soybeans (bu)			
Regular	-761	--	--
Export Enhancement	--	3,300	3,400
Total	-761	3,300	3,400
Other Grains (bu)*			
Regular	814	4,079	1,150
PIK	--	11,800	10,470
Total	814	15,879	11,620
Honey (lb)	82,292	94,360	94,360
ELS Cotton (bales)	17	2	3
Dairy Products (lb)**	2,317,891	1,921,928	1,816,344
4. ENDING INVENTORIES			
Upland Cotton (bales)	134	1,311	5,911
Corn (bu)	271,550	550,000	819,000
Grain Sorghum (bu)	129,127	200,000	229,000
Rice, Rough (cwt)	44,128	55,807	42,761
Wheat (bu)	501,461	659,233	710,252
Soybeans (bu)	30,687	157,387	293,987
Other Grains (bu)*	45,718	101,674	129,516
Honey (lb)	140,413	158,974	63,011
ELS Cotton (bales)	9	7	4
Dairy Products (lb)**	2,603,530	2,191,225	1,370,782

a/ PIK and Export Enhancement dispositions printed in this table for FY 1986 and FY 1987 are budget estimates made prior to final policy decisions and are subject to later revisions as program announcements are made.

*Includes barley, oats, and rye.

**Includes butter, butter oil, cheese, nonfat dry milk, anhydrous milkfat, and mozzarella cheese.

ADP ACTIVITIES

ADP in ASCS is integral to the agency's long-range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. During the past four years under the plan, research, analysis, and planning have been completed, and operational implementation is beginning. Extensive testing in seven pilot counties has demonstrated the feasibility and cost advantage of equipping all State and county offices with small computers capable of managing the record keeping and transaction processing needs of those offices. All offices in three States were equipped and operational concepts and implementation plans were validated. Nationwide automation of all State and county offices is currently underway and equipment installations will be completed by September 1986.

Through the departmental communications network, program information will flow in a timely manner to State offices and Washington, where it will reside in a data base accessible to program specialists. This data base will also contain foreign production, supply and demand information collected by the Foreign Agricultural Service. Thus agency and departmental policymakers will have ready access to the latest information, both foreign and domestic.

A contract is in effect for the development of new systems for managing government-owned grain and processed commodities.

In carrying out the overall long-range plan described above, CCC capital investments totaling $7,770,000 in fiscal year 1987 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan, which includes the joint ASCS-FAS data base. This project will be reassessed regularly at both the agency and department levels to ensure the efficiency of the system and compatibility with departmentwide ADP system policies.

CCC funding for hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarter and field offices, and for the establishment of a joint ASCS-FAS data base which includes information on local production of, and foreign demand for, agricultural commodities are estimated at $3,817,000. Enhancements for digitizers and special purpose ADP furniture for State and county offices are estimated at $1,050,000. The remaining $2,903,000 is for the purchase of hardware to complete the marketing card automation project, telephones and various peripherals needed to complete automation for Washington and field offices.

CONGRESSIONAL DIRECTIVE

In accordance with a Congressional directive requesting that the Explanatory Notes reflect a division between administrative costs for conservation programs and all other ASCS activities, the estimated FY 1987 administrative cost for conservation is $13,304,000.

This cost estimate includes all conservation administrative costs associated with activities previously funded through direct appropriation. For FY 1987, this estimate reflects costs for administering only carryover activities for the Agricultural Conservation Program (ACP), the Forestry Incentive Program (FIP), the Water Bank Program (WBP), and the Rural Clean Water Program (RCWP).

Agricultural Stabilization and Conservation Service
Salaries and Expenses
Geographic Breakdown of Obligations
Fiscal Year 1985 and Estimated Fiscal Years 1986 and 1987

State	Fiscal Year 1985	Fiscal Year 1986	Fiscal Year 1987
Alabama	$7,427,008	$8,955,415	$7,927,163
Alaska	233,927	264,319	242,720
Arizona	1,319,671	1,567,103	1,399,074
Arkansas	6,873,040	8,294,214	7,338,544
California	3,922,529	4,701,203	4,175,489
Colorado	4,406,680	5,294,399	4,695,936
Connecticut	715,540	841,305	755,301
Delaware	617,242	720,790	649,605
District of Columbia	43,092,762	50,715,918	48,177,754
Florida	4,039,583	4,821,777	4,292,362
Georgia	11,496,889	13,899,475	12,285,488
Hawaii	364,163	414,331	378,974
Idaho	4,060,564	4,875,259	4,325,807
Illinois	14,408,940	17,484,788	15,422,657
Indiana	9,249,236	11,177,397	9,881,813
Iowa	16,563,272	20,109,223	17,732,560
Kansas	14,273,448	17,237,047	15,219,508
Kentucky	10,183,606	12,343,138	10,894,433
Louisiana	5,336,101	6,407,530	5,684,984
Maine	1,233,770	1,460,744	1,306,298
Maryland	1,606,652	1,916,746	1,706,794
Massachusetts	683,537	801,663	720,731
Michigan	7,953,528	9,613,472	8,498,231
Minnesota	13,248,159	16,074,545	14,179,555
Mississippi	8,030,943	9,679,726	8,570,236
Missouri	42,355,524	51,806,713	41,586,287
Montana	5,339,045	6,422,954	5,692,782
Nebraska	13,233,748	16,062,103	14,166,108
Nevada	729,482	857,207	769,826
New Hampshire	619,047	725,258	652,429
New Jersey	821,837	966,827	867,718
New Mexico	2,434,928	2,902,906	2,585,922
New York	5,042,998	6,082,764	5,383,380
North Carolina	12,987,569	15,722,878	13,886,732
North Dakota	8,923,766	10,813,145	9,545,482
Ohio	9,231,472	11,152,010	9,861,297
Oklahoma	8,202,707	9,902,581	8,759,741
Oregon	2,760,928	3,291,350	2,932,054
Pennsylvania	5,599,272	6,705,948	5,958,462
Puerto Rico - Virgin Islands	545,665	570,378	548,070
Rhode Island	198,660	222,394	205,314
South Carolina	5,508,095	6,621,635	5,871,195
South Dakota	8,170,347	9,893,925	8,737,108
Tennessee	9,493,477	11,475,147	10,143,775
Texas	26,208,509	31,773,060	28,040,551
Utah	6,854,641	7,879,087	7,294,854
Vermont	1,046,898	1,233,689	1,106,164
Virginia	7,406,727	8,938,648	7,908,531
Washington	3,441,989	4,105,072	3,656,041
West Virginia	3,372,237	4,049,034	3,592,598
Wisconsin	8,785,517	10,630,275	9,391,581
Wyoming	1,695,958	1,993,485	1,789,981
Total, Available or Estimate	$392,351,833	$472,472,000	$417,396,000
Undistributed: Reimbursements	56,821,184	65,353,000	91,795,000
Total, Obligations	$449,173,017	$537,825,000	$509,191,000

NOTE: FY 1985 and 1986 estimates were prorated by State based on FY 1984 actual data.

SALARIES AND EXPENSES

STATUS OF PROGRAM

The Salaries and Expenses account includes funds to cover expenses of programs administered by, and functions assigned to, the Agricultural Stabilization and Conservation Service (ASCS). The funds comprising this consolidated account in fiscal year 1985 are a direct appropriation, transfers from the Commodity Credit Corporation (CCC), and various advances and reimbursements from other sources including user fees.

Responsibility for administration of ASCS farm programs in the field is vested in Agricultural Stabilization and Conservation (ASC) farmer committees. ASC State committees consist of three to five farmer members appointed by the Secretary of Agriculture for a period of one year. ASC county and community committees are elected by farmers who are participating or eligible to participate in any ASCS program.

The Kansas City Commodity Office and Kansas City Management Office have management responsibility for the proper storage, merchandising, and accounting for CCC-owned inventory. They initiate movements of commodities as necessary from local storage points to interior and terminal warehouses. These commodities are eventually sold or otherwise disposed of in the best interests of both the taxpayer and the farmer.

The principal activities of ASCS include administration and related activities for production adjustment programs, conservation programs, price support programs, and warehouse examination programs.

Major ASCS programs and related work volume for fiscal year 1985 are described below.

Acreage Allotments, Poundage Quotas, and Marketing Quotas. In accordance with the provisions of the Agricultural Adjustment Act of 1938 and its later amendments, allotment and marketing quota programs were in effect for the 1985 crop of most types of tobacco, and poundage quotas were in effect for peanuts. No marketing quota or poundage quota program can be put into effect without the approval of at least two-thirds of the producers voting in a national referendum.

The current program for each crop is as follows:

Peanuts - Poundage quotas were approved for the 1982-85 crops.

Burley tobacco - Marketing quotas on a poundage basis were approved for the 1983-85 crops. Poundage quotas have been in effect since 1971.

Flue-cured tobacco - Marketing quotas on a poundage basis and an acreage allotment program were approved for the 1983-85 crops.

Dark air-cured and fire-cured tobacco - Marketing quotas with acreage allotments were approved for the 1985-87 crops.

Sun-cured tobacco - Marketing quotas with acreage allotments were approved for the 1983-85 crops.

Cigar filler and binder tobacco - Marketing quotas with acreage allotments were approved for the 1984-86 crops.

Agricultural Conservation Program. This program is carried out under the authority contained in sections 7 to 16(a), inclusive, 16(f) and 17 of the Soil Conservation and Domestic Allotment Act, as amended. Objectives stated in the Act include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, (3) conserving water on the land, and (4) encouraging energy conservation in farming operations. The program is carried out in line with the National Program for Soil and Water Conservation priority commitment to conservation which focuses on the highest priority resource problems and the areas of the country most acutely affected by these problems.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. Federal assistance generally covers 50-75 percent of the cost of carrying out the practice. The farmer pays the balance of the cost and supplies the labor and management necessary to carry out the practice.

Activities in fiscal year 1985 included:

Number of payment applications	248,418
Number of long-term agreements	13,842
Number of annual agreements	321,366

Feed Grain, Wheat and Cotton Direct Payment Programs. The main objectives of these programs under provisions of legislation enacted in 1981 are to provide price and income protection for farmers and to assure consumers an adequate supply of food and fiber at reasonable prices. The 1981 legislation continues the deficiency payment provisions of earlier legislation and, where crop insurance is available, excludes disaster benefits unless the Secretary determines that losses have created an economic emergency that cannot be alleviated by Federal crop insurance program payments.

Activities in fiscal year 1985 included:

Number of wheat farm yields established	537,499
Number of feed-grain farm yields established	1,686,078
Number of cotton farm yields established	149,394
Number of deficiency payments made	3,147,087
Number of diversion payments made	1,811,893

Payment-in-kind (PIK) Program. Pursuant to the authority of the Agricultural Act of 1949, as amended, and the Commodity Credit Corporation Charter Act, the Secretary authorized a payment-in-kind program for the 1984 crop of wheat only. Under the PIK program, participants in the acreage reduction program and the paid land diversion program could idle an additional portion of their base acreage for conservation use. In return, participants received in-kind payments on their PIK acres equal to a percentage of their established farm program yield. In fiscal year 1985 carryover PIK activities included the processing and handling of 58,321 storage payments, settlement of 13,038 loading orders and settlement of 609 PIK obligation exchange contracts to the trade.

Loan and Price Support Program. Support is mandatory for the commodities designated as "basic" in the Agricultural Act of 1949, as amended -- tobacco, peanuts, cotton, wheat, corn, and rice -- and for certain nonbasic commodities -- barley, oats, rye, grain sorghum, honey, sugar, soybeans, seed cotton, milk, and milk products. The Secretary is also authorized, but is not required, to make support available on other nonbasic commodities. Support is available to producers through loans, payments, and purchases.

Activities under the program include the maintenance and supervision of farmer-held reserves, reinspection of commodities under farm-stored loans, processing of loans and loan repayments, and acquisition of commodities.

Loan and price support program activities in fiscal year 1985 included:

Number of support loans	469,562
Dollar value of loans:	
Feed Grains	$3,366,304,339
Wheat	2,277,763,977
Rice	498,562,112
Cotton	768,839,880
Soybeans	1,382,029,803
Tobacco	814,710,338
Sugar	833,417,450
Other	244,345,063
TOTAL, COMMODITY LOANS	$10,185,972,962

Number of loan repayments and reconcentration settlements	492,069
Reinspection of farm-stored loans	730,769
Number of farm-stored loans taken over	54,599
Number of warehouse loans acquired (except cotton).	75,723
Number of farmer-held reserve loans	34,003
Number of Emergency Feed Assistance Program applications	7,523
Number of Special Producer Loans	19,062

Wool Act Program. This incentive program, authorized by the National Wool Act of 1954, uses mandatory payments to encourage domestic production of wool and mohair. Legislation enacted in 1981 authorizes extension of the program through December 31, 1985.

Payments on shorn wool and mohair are based on the percent by which the support level exceeds the average return received by all producers. Individual payments are determined by applying this percentage to the producer's net proceeds from the sale of wool or mohair. This method encourages producers to improve the quality and marketing of their wool or mohair, as a better market price earns a higher support payment.

The law also provides for a payment on sales of unshorn lambs. This payment is made at a rate comparable to the shorn wool payment and is designed to encourage the marketing of lambs without shearing the wool.

ASCS county offices receive applications for incentive payments and issue payments to eligible producers.

Number of applications for payment in fiscal year 1985	118,025
Amount of wool and mohair payments	$102,540,162

Milk Diversion Program. Under provisions of the Agriculture Act of 1949, as amended by the Dairy and Tobacco Adjustment Act of 1983, a 15-month Milk Diversion Program was enacted for the period January 1, 1984, through March 31, 1985. The Milk Diversion Program provided a $10 per hundredweight incentive payment to producers who reduced milk production intended for commercial use from 5 to 30 percent.

Participating producers signed a milk reduction contract and submitted a reduction plan describing how the required reduction would be achieved. Payment was limited to a maximum of 30 percent of the participating producer's established milk base.

Activities in fiscal year 1985 included:

Number of Milk Diversion payments	118,795
Amount of Milk Diversion payments	$632,018,613

Warehouse Examination Program. The primary objectives of this program are to (1) protect producers and others, including the Commodity Credit Corporation, who store their property in public warehouses; (2) assure the integrity of warehouse receipts as documents of title to be used as collateral for loans, and to facilitate trading in interstate commerce of agricultural commodities; and (3) set and maintain a standard for sound warehouse operations.

Under the provisions of the U.S. Warehouse Act, ASCS licenses public warehousemen storing agricultural products; licenses weighers, graders and samplers of such products; and supervises the operations of those licensed to assure compliance with the U.S. Warehouse Act.

Applications for licenses are filed by warehousemen on a voluntary basis. Before licensing, the applicant's storage facilities and operations are examined to determine if they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for an annual examination of the adequacy of warehouse records, the condition and contents of the warehouse, and an audit of the financial records by a public or certified accountant. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage, which are vital instruments in the marketing and financing of farm production.

Warehouse examination services for grain and other warehouses, except cotton, began operating on a user fee basis in fiscal year 1982 according to provisions of the Omnibus Reconciliation Act of 1981. Fees, based on storage capacity, are collected from industry users licensed under the Act and non-licensed users who have storage contracts with CCC. ASCS is proposing that cotton warehouses be funded on a user fee basis beginning in fiscal year 1987.

Licenses, contracts, and examinations in fiscal year 1985 included:

U.S. Warehouse Act Activities	
Number of licenses in effect	1,906
Number of examinations:	
Grain	2,747
Cotton	333
Other	28
Non-Federally Licensed Activities	
Number of contracts in effect	3,094
Number of examinations:	
Grain	2,913
Cotton	219
Other	1,148

Examination hours were used as follows:

	1984	1985
Grain	77.2%	83.6%
Cotton	10.6%	5.7%
Other	12.2%	10.7%

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Dairy Indemnity Program

> [For necessary expenses involved in making indemnity payments to dairy farmers for milk or cows producing such milk and manufacturers of dairy products who have been directed to remove their milk or dairy products from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government, and in making indemnity payments for milk, or cows producing such milk, at a fair market value to any dairy farmer who is directed to remove his milk from commercial markets because of (1) the presence of products of nuclear radiation or fallout if such contamination is not due to the fault of the farmer, or (2) residues of chemicals or toxic substances not included under the first sentence of the Act of August 13, 1968, as amended (7 U.S.C. 450j), if such chemicals or toxic substances were not used in a manner contrary to applicable regulations or labeling instructions provided at the time of use and the contamination is not due to the fault of the farmer, $100,000: *Provided*, That none of the funds contained in this Act shall be used to make indemnity payments to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government.]

This change deletes the appropriation language for the Dairy Indemnity Program since no funds are proposed for this program in fiscal year 1987.

Dairy Indemnity Program

Appropriations Act, 1986		$100,000
Budget Estimate, 1986		--
Decrease in Appropriation		-100,000
Adjustments in 1986:		
Appropriations Act, 1986	$100,000	
Less Pro-Rata Reduction, P.L. 99-190	-1,000	
Net Appropriations,	$99,000	
Adjusted base for 1986		99,000
Budget Estimate, 1987		--
Decrease from adjusted 1986		-$99,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Indemnity payments to dairy farmers	$99,000	-$99,000	--
Indemnity payments to manufacturers of dairy products	--	--	--
Total Available	$99,000 a/	-$99,000	--

a/ A request has been submitted to the Congress to rescind $95,000.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Indemnity payments to dairy farmers	$43,000	$4,000	-$4,000	--
Indemnity payments to manufacturers of dairy products	--	--	--	--
Unobligated balance lapsing	57,000	--	--	--
Proposed rescission	--	95,000 a/	-95,000	--
Total, appropriation or estimate	$100,000	$99,000	-$99,000	--

a/ A request has been submitted to the Congress to rescind $95,000.

EXPLANATION OF PROGRAM

The appropriation "Dairy Indemnity Program" of the Agricultural Stabilization and Conservation Service funds indemnity payments, under certain circumstances, to dairy farmers and manufacturers of dairy products.

Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved by the Federal Government at the time of use. Original authority granted under this Section terminated January 31, 1965, but the termination date has been extended ten times. Major legislation extending and modifying the program is summarized as follows:

-- The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved by the Federal Government.

-- The Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. The Act also authorized indemnity payments for dairy cows producing milk contaminated with pesticide residues.

-- The Food and Agriculture Act of 1977, which extended the Dairy Indemnity Program to September 30, 1981, also authorized indemnity payments for milk, or cows producing milk, that must be removed from commercial markets as a result of chemical residues not previously included, nuclear radiation, or fallout.

-- The Agriculture and Food Act of 1981 extended authority for the Dairy Indemnity Program through September 30, 1985.

-- The Food Security Act of 1985 extended authority for the Dairy Indemnity Program through September 30, 1990.

During fiscal year 1985, dairy farmers and manufacturers of dairy products who filed claims totaling $50,070 for losses suffered in fiscal year 1984 were paid. No fiscal year 1985 claims were filed in fiscal year 1985. Rescission of fiscal year 1986 funds is requested due to the need for fiscal restraint.

JUSTIFICATION OF DECREASE

A decrease of $99,000 for indemnity payments to dairy farmers ($99,000 available in fiscal year 1986).

Need for Change. Funding for this relatively low priority program is not requested for fiscal year 1987.

Nature of Change. This decrease will eliminate indemnity payments to dairy farmers and manufacturers of dairy products in fiscal year 1987.

The following table shows the geographic breakdown of obligations for fiscal years 1985-87.

Dairy Indemnity Program
Geographic Breakdown Of Obligations
Fiscal Year 1985 and Estimated Fiscal Years 1986 and 1987

State	Fiscal Year 1985	Fiscal Year 1986	Fiscal Year 1987
Alabama	$15,499	--	--
Georgia	1,443	--	--
Hawaii	33,128	--	--
Undistributed:	-6,976 a/	$ 4,000	--
Proposed rescission	--	95,000	--
Total, Available or Estimate	$43,094	$99,000	--

a/Deobligation of prior year obligation.

DAIRY INDEMNITY PROGRAM

STATUS OF PROGRAM

The purpose of the Dairy Indemnity Program is to indemnify (a) dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because such milk or milk products contain certain chemical residues; (b) dairy farmers for cows producing milk contaminated with certain chemical residues; and (c) dairy farmers for milk or cows when milk or dairy products are removed from commercial markets because of nuclear radiation, fallout, or toxic substances not previously included.

Current Activities: During fiscal year 1985, five dairy farmers filed claims under the Dairy Indemnity Program. A total of $50,070 was paid to dairy farmers in the States of Alabama, Georgia and Nebraska. Payments to dairy farmers for approved claims from inception of the program in fiscal year 1965 through fiscal year 1985 total $10.5 million.

The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, five manufacturers have been indemnified because their products were removed from the market. Payments to manufacturers through fiscal 1985 totaled $549,547.

The following table shows payments and number of payees during fiscal years 1965 through 1985.

Dairy Indemnity Program
Payments and Number of Payees
Fiscal Years 1965-85

Fiscal Year	Payments to Dairy Farmers	Payments to Manuf. of Dairy Prod.	Number of Payees	Total Payments
1965	$349,933	--	135	$349,933
1966	214,459	--	60	214,459
1967	166,466	--	110	166,466
1968	264,128	--	35	264,128
1969	136,571	--	20	136,571
1970	125,520	--	35	125,520
1971	164,474	--	23	164,474
1972	46,082	$15,500	4	61,582
1973	36,553	94,666	6	131,219
1974	144,477	31,261	21	175,738
1975	193,389	--	26	193,389
1976 a/	159,289	--	19	159,289
1977	40,284	--	8	40,284
1978	66,266	9,210	12	75,476
1979	64,267	--	13	64,267
1980	91,575	--	9	91,575
1981	42,231	--	15	42,231
1982	15,087	--	5	15,087
1983	6,121,374	--	18	6,121,374
1984	2,043,010	398,910	22	2,441,920
1985	50,070	--	5	50,070
Total	$10,535,505	$549,547	601	$11,085,052

a/ Includes transition quarter.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Agricultural Conservation Program

[For necessary expenses to carry into effect the program authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act approved February 29, 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), and including not to exceed $15,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States, $190,000,000, to remain available until expended for agreements, excluding administration but including technical assistance and related expenses, except that no participant in the Agricultural Conservation Program shall receive more than $3,500, except where the participants from two or more farms or ranches join to carry out approved practices designed to conserve or improve the agricultural resources of the community: Provided, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetlands Types 3 (III) through 20 (XX) in United States Department of the Interior, Fish and Wildlife Circular 39, Wetlands of the United States, 1956: Provided further, That such amounts shall be available for the purchase of seeds, fertilizers, lime, trees, or any other conservation materials, or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out approved farming practices as authorized by the Soil Conservation and Domestic Allotment Act, as amended, as determined and recommended by the county committees, approved by the State committees and the Secretary, under programs provided for herein: Provided further, That such assistance will not be used for carrying out measures and practices that are primarily production-oriented or that have little or no conservation or pollution abatement benefits: Provided further, That not to exceed 5 per centum of the allocation for the current year's program for any county may, on the recommendation of such county committee and approval of the State committee, be withheld and allotted to the Soil Conservation Service for services of its technicians in formulating and carrying out the Agricultural Conservation Program in the participating counties, and shall not be utilized by the Soil Conservation Service for any purpose other than technical and other assistance in such counties, and in addition, on the recommendation of such county committee and approval of the State committee, not to exceed 1 per centum may be made available to any other Federal, State, or local public agency for the same purpose and under the same conditions: Provided further, That for the current year's program $2,500,000 shall be available for technical assistance in formulating and carrying out rural environmental practices: Provided further, That no part of any funds available to the Department, or any bureau, office, corporation, or other agency constituting a part of such Department, shall be used in the current fiscal year for the payment of salary or travel expenses of any person who has been convicted of violating the Act entitled "An Act to prevent pernicious political activities" approved August 2, 1939, as amended, or who has been found in accordance with the provisions of title 18 U.S.C. 1913 to have violated or attempted to violate such section which prohibits the use of Federal appropriations for the payment of personal services or other expenses designed to influence in any manner a Member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any Member or through the proper official channels.]

This change deletes appropriation language for the Agricultural Conservation Program since no funds are proposed for this program in fiscal year 1987.

Agricultural Conservation Program

Appropriations Act, 1986		$190,000,000
Budget Estimate, 1987		--
Decrease in Appropriation		-190,000,000
Adjustments in 1986:		
Appropriations Act, 1986	$190,000,000	
Less Pro-Rata Reduction, P.L. 99-190	-1,140,000	
Net Appropriations	188,860,000	
Adjusted base for 1986		188,860,000
Budget Estimate, 1987		--
Decrease from adjusted 1986		-$188,860,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Cost-sharing and technical assistance to farmers	$188,860,000 a/	$-188,860,000	--

a/ A request has been submitted to the Congress to rescind $140,839,000.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Cost-sharing and technical assistance to farmers.................	$190,000,000	$48,021,000	-$48,021,000	--
Proposed rescission a/...	--	140,839,000	-140,839,000	--
Total, appropriation or estimate...............	$190,000,000	$188,860,000	-$188,860,000	--

a/ A request has been submitted to the Congress to rescind $140,839,000.

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Cost-sharing and technical assistance to farmers.....	$190,325,449	$84,758,369	-$84,758,369	--
Technical assistance (allocation to Forest Service)..................	b/ 16,769	--	--	--
Unobligated balance brought forward from prior years..	-37,079,587	-36,737,369	+36,737,369	--
Unobligated balance carried forward to next year......	36,737,369	--	--	--
Proposed rescission	--	140,839,000a/	-140,839,000	--
Total appropriation or estimate	$190,000,000	$188,860,000	-$188,860,000	--

a/ A request has been submitted to the Congress to rescind $140,839,000.

b/ The allocation to Forest Service was converted to a reimbursable account October 1, 1982. Obligations are against prior years' funds in the allocation account.

EXPLANATION OF PROGRAM

The Agricultural Conservation Program (ACP) is authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act of 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), section 1501 of the Food and Agriculture Act of 1977 (P.L. 95-113), and section 259 of the Energy Security Act of 1980 (P.L. 96-294).

The ACP is administered by ASCS through the farmer-elected committee system. The program is a joint effort by Government and landowners to restore and protect basic land and water resources. Specific program objectives are carried out in line with the National Program for Soil and Water Conservation which emphasizes erosion control and water conservation. Additional objectives include contributing to the national objective of ensuring a continuous, adequate supply of food and fiber; improving water quality in rural America; facilitating resource management systems; and achieving national priorities reflected in the National Environmental Policy Act of 1969 and related legislation.

1986 Program

1. Program Direction. The 1986 ACP will be directed toward congressional and executive objectives through continued emphasis on specific enduring practices to solve the most critical conservation problems and to meet water quality goals. Treatment of cropland estimated to have moderate to severe soil erosion (erosion in excess of the soil loss tolerance) will be of primary concern.

   -- Annual Agreements. $39.9 million was earmarked for cost-sharing of annual agreements and was allocated to the States specifically for this purpose.

   -- Long-Term Agreements. No funds were allocated to the States specifically for this purpose. However, States have the option of using annual agreements funds for long-term agreements.

   -- Variable Cost-Share Levels. Under this program, cost-share levels are established for erosion control practices on the basis of the amount of soil saved and the severity of the erosion problem. In fiscal year 1984, 182 counties participated in the Variable Cost-Share Level (VC/SL) Program, and in fiscal year 1985 the number increased to 264. Results indicate that there are improvements in the cost effectiveness of practices applied under the program. Based on these results, State and county committees were encouraged to continue the program in the fiscal year 1986.

   -- Salinity. $800 thousand is allocated for use in the Grand Valley and Uinta projects to reduce salt entering the Colorado River.

   -- Technical Assistance. $399 thousand is available to the Forest Service for technical assistance relating to forestry practices.

-- Method of Allocation. In accordance with administrative policy, the proportionate share of funds allocated to any State for annual agreements was not reduced more than 1 percent from the fiscal year 1985 distribution. Distribution to the States was made according to their conservation needs, as determined by the Secretary.

2. Program Development. State and county programs are developed through a process whereby county committees submit recommendations through the State committees to the Secretary. Practices available to a county committee include all those previously approved by the Secretary plus any other practice that a county committee considers necessary to solve a local conservation problem and that is approved by the State committee and the Secretary or his designee.

3. Practices. Under the 1986 ACP we will encourage cost effective practices, such as vegetative cover, terraces, and sod waterways, which result in significant conservation of soil and water, or other improvements in the environment.

   Practices that are not enduring or do not provide enduring benefits will not be a part of the program. Other practices excluded from the national program include practices that are primarily production oriented.

JUSTIFICATION OF DECREASE

A decrease of $188,860,000 for cost-share assistance to agricultural producers ($188,860,000 available in fiscal year 1986).

Need for Change. The ACP is proposed for termination on the basis that financial assistance should be concentrated on the longer term conversion of highly erodible cropland that meets strict criteria for entry into a Conservation Reserve Program.

Nature of Change. No new activity will be initiated under this program. Practices for which funds were previously obligated will be completed. Existing long-term agreements will be honored.

The following tables show (a) outlays for fiscal year 1985 and (b) geographic breakdown of obligations for fiscal years 1985-87.

Agricultural Conservation Program
Fiscal Year 1985 Outlays by State

State	Outlays
Alabama	$4,824,120
Alaska	185,194
Arizona	1,958,827
Arkansas	3,473,840
California	4,946,132
Colorado	5,062,172
Connecticut	331,532
Delaware	175,200
Florida	3,244,885
Georgia	4,699,642
Hawaii	505,191
Idaho	3,160,574
Illinois	6,270,983
Indiana	3,900,422
Iowa	8,298,962
Kansas	4,819,598
Kentucky	4,583,942
Louisiana	3,243,854
Maine	2,047,897
Maryland	898,559
Massachusetts	453,624
Michigan	4,033,302
Minnesota	6,132,062
Mississippi	5,115,272
Missouri	8,301,679
Montana	4,352,540
Nebraska	5,496,296
Nevada	992,011
New Hampshire	476,458
New Jersey	611,508
New Mexico	2,177,220
New York	4,788,754
North Carolina	4,104,680
North Dakota	4,238,994
Ohio	3,645,478
Oklahoma	4,622,307
Oregon	3,681,727
Pennsylvania	4,307,737
Puerto Rico	516,365
Rhode Island	76,031
South Carolina	2,252,654
South Dakota	2,766,772
Tennessee	4,536,083
Texas	15,767,937
Utah	3,537,671
Vermont	1,023,892
Virginia	3,115,218
Virgin Islands	20,976
Washington	4,386,155
West Virginia	1,510,339
Wisconsin	4,827,933
Wyoming	1,487,315
ASCS Subtotal (Includes SCS Tech. Assistance)	179,988,516
FS Technical Assistance	1,768,775
TOTAL	$181,757,291

Agricultural Conservation Program
Geographic Breakdown of Obligations
Fiscal Year 1985 and Estimated Fiscal Years 1986 and 1987

State	Fiscal Year 1985	Fiscal Year 1986	Fiscal Year 1987
Alabama	$5,024,183	$1,869,993	--
Alaska	161,869	715,177	--
Arizona	2,071,154	1,357,528	--
Arkansas	3,741,169	1,032,224	--
California	5,087,813	3,105,200	--
Colorado	5,039,766	3,547,723	--
Connecticut	316,991	153,519	--
Delaware	201,955	145,767	--
Florida	3,875,111	1,702,701	--
Georgia	5,259,659	1,452,829	--
Hawaii	564,178	256,416	--
Idaho	3,299,025	981,837	--
Illinois	6,254,487	1,909,481	--
Indiana	4,391,589	1,426,389	--
Iowa	7,599,835	2,886,209	--
Kansas	5,690,347	2,380,655	--
Kentucky	4,626,682	1,714,728	--
Louisiana	3,308,322	1,327,202	--
Maine	2,931,527	648,157	--
Maryland	882,768	558,285	--
Massachusetts	497,945	144,148	--
Michigan	4,326,005	1,342,524	--
Minnesota	6,551,560	3,663,993	--
Mississippi	4,754,073	1,342,424	--
Missouri	7,875,024	3,085,751	--
Montana	4,882,314	4,840,685	--
Nebraska	5,172,456	1,719,679	--
Nevada	961,959	356,526	--
New Hampshire	447,584	405,233	--
New Jersey	567,042	193,603	--
New Mexico	1,955,297	1,388,492	--
New York	4,824,493	1,454,243	--
North Carolina	4,083,318	1,693,833	--
North Dakota	5,199,788	2,635,845	--
Ohio	4,310,818	1,518,180	--
Oklahoma	4,689,157	3,329,017	--
Oregon	3,987,685	1,073,422	--
Pennsylvania	4,476,915	1,603,302	--
Puerto Rico	455,857	474,275	--
Rhode Island	40,610	47,810	--
South Carolina	2,680,043	761,313	--
South Dakota	3,026,126	2,785,899	--
Tennessee	4,670,956	1,821,523	--
Texas	16,822,397	6,539,497	--
Utah	3,652,493	2,478,532	--
Vermont	903,934	255,524	--
Virginia	3,190,634	825,216	--
Virgin Islands	20,071	30,058	--
Washington	5,189,430	2,784,394	--
West Virginia	1,524,956	531,713	--
Wisconsin	4,928,913	1,722,695	--
Wyoming	1,538,583	2,234,132	--
ASCS Subtotal (Includes SCS Tech. Assistance)	$188,536,866	$84,255,025	--
FS Technical Assistance	1,805.352	502,868	--
Undistributed:			
Proposed rescission	--	140,839,000	--
Total, Available or Estimate	$190,342,218	$225,597,369	--

AGRICULTURAL CONSERVATION PROGRAM

STATUS OF PROGRAM

The purpose of the Agricultural Conservation Program (ACP) is to provide financial assistance to agricultural producers to help solve a wide range of agricultural conservation and environmental problems that, if not addressed, would reduce the productive capacity of the nation's land and water resources or cause degradation of environmental quality. The program is carried out in line with the National Program for Soil and Water Conservation priority commitment to conservation. Program activities include prevention of soil loss, conservation of scarce water supplies, improvement of water quality, conservation of forest and wildlife resources, and pollution abatement.

Current Activities: Cost sharing is authorized in agricultural counties in all 50 States, Puerto Rico, and the Virgin Islands. The program is operated through the State and county ASC committees, with technical and educational assistance provided by the Soil Conservation Service (SCS), Forest Service (FS) and Extension Service (ES). Approximately 162,000 farmers, ranchers and woodland owners participated in the program in fiscal year 1984 by carrying out practices that help solve soil and water conservation problems identified in State and county ACP plans. Specific activities to which ACP efforts were directed in fiscal year 1985 are as follows:

1. Practices. Twenty-seven separately identified practices were authorized in the National program. In addition, 14 separate special practices were approved for use in numerous counties throughout the country to assist in solving critical problems at the local level.

2. Targeting. At the National level, 10 percent of program funds were targeted to critical soil erosion and water conservation problems. ASCS provided cost-sharing funds through the ACP, and SCS provided accelerated technical assistance in the same geographic areas. Critical areas selected for targeting were identified cooperatively by ASCS and SCS. The targeting effort was supported by the Forest Service, Agricultural Research Service, Economic Research Service, Cooperative State Research Service, and Extension Service. These agencies emphasized the priority resource problems through their research, information, and education activities.

3. Variable Cost-Share Level Program. This program was operated by counties on a voluntary basis to achieve greater land conservation at a reduced or equivalent cost, by relating cost-share levels to the amount of erosion reduction achieved. A variable cost-share level was used only for practices that would solve an erosion problem for which soil loss could be calculated. Program participation has increased each year since the program began.

4. Long-term agreements. To involve more farmers in the multi-year planning approach to conservation problem solving, $20 million was earmarked for 3- to 10-year agreements.

5. Special Projects. Funds were provided for three types of special projects, including water quality practices, where agricultural pollution from nonpoint sources was the major cause of the identified problem; erosion control practices, where land eroding in excess of twice the tolerance level was converted to permanent vegatative cover or trees; and erosion control practices in severely eroding areas, where land eroding in excess of 25 tons per acre per year was treated by critical area planting.

Selected Examples of Recent Progress:

1. Targeting. Approximately $19 million was targeted by ASCS at the National level in 1985 for use in critical erosion areas in 37 States and in critical water-short areas in 16 States. Conservation measures providing the most cost-effective solutions to resource problems were emphasized.

2. Variable Cost-Share Levels (VC/SL). Two hundred sixty-five ASC county committees volunteered to participate in the variable cost-share level effort in 1985. Under this effort cost-share levels were established for erosion control practices on the basis of the amount of soil saved and the severity of the erosion problem. A total of $2 million was allocated to those counties which volunteered for VC/SL.

3. Salinity Control. ASCS provided $3.2 million to the Grand Valley and Uinta Basin projects to reduce agricultural salt loading in the Colorado River.

4. Special Projects. Approximately $5.8 million was allocated for special projects in FY 1985. The primary purposes of the projects were for water quality and erosion control.

The tables that follow show (a) the extent to which practices were performed in 1984 and the period 1936-1984, (b) special ACP allocations for fiscal year 1985 for targeting, variable cost-share and special projects, (c) ACP accomplishments for fiscal year 1984, and (d) number of participating farms and average payment per farm in program years 1970-1984.

Agricultural Conservation Program
Practices Performed in 1984 and Total Accomplishments 1936-1984

Practice	Unit	Extent under 1984 program	Total Accomplishments 1936-1984
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses..................	1,000 structures	14	2,546
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution	1,000 acres	388	38,625
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution	1,000 acres	102	115,756
Trees or shrubs planted for forestry purposes, erosion control or environmental enhancement	1,000 acres	150	8,148
Forest tree stands improved for forestry purposes or environmental enhancement	1,000 acres	25	5,119
Wildlife conservation	1,000 acres	35	14,807 a/
Sediment pollution-abatement structures or runoff control measures ..	1,000 acres	425	20,102 b/
Conservation tillage including reduced tillage and no-till........	1,000 acres	1,009	4,176 c/

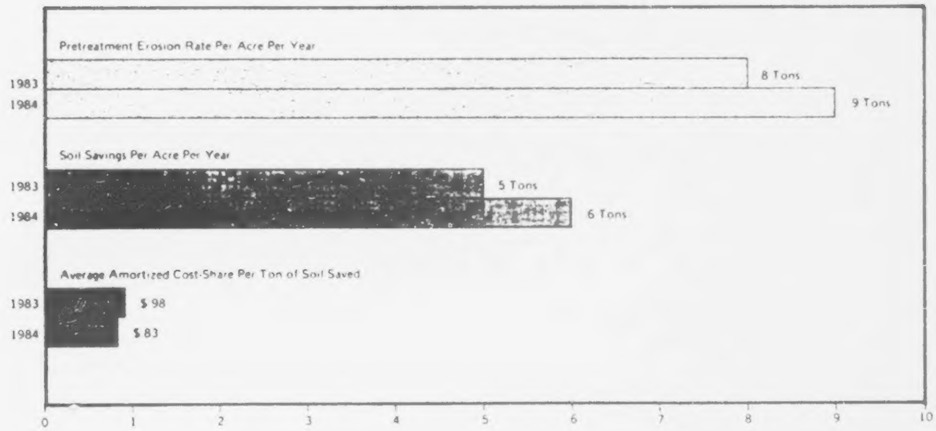
a/ From 1962 with certain data estimated.
b/ From 1970.
c/ From 1973.

Agricultural Conservation Program
Targeting, Variable Cost-share Level, and Special Project Allcoations
Fiscal Year 1985

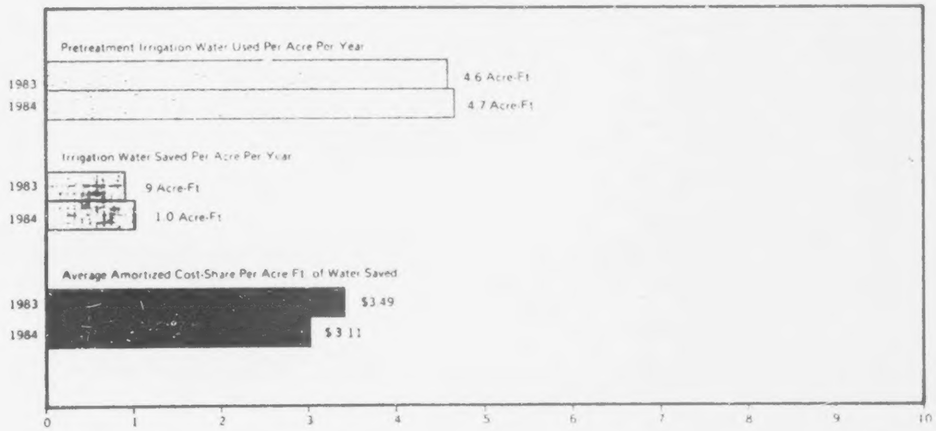
	Targeting			Variable	
State	Erosion Control	Water Management	Total	Cost Share Level	Special Projects
Alabama	$480,000	--	$480,000	$ 39,700	$167,000
Alaska	--	--	--	--	9,000
Arizona	--	$340,000	340,000	1,700	71,000
Arkansas	--	250,000	250,000	58,100	126,000
California	20,000	595,000	615,000	9,500	--
Colorado	--	270,000	270,000	--	139,000
Connecticut	--	--	--	--	13,000
Delaware	20,000	--	20,000	--	7,000
Florida	--	105,000	105,000	34,600	130,000
Georgia	580,000	--	580,000	11,000	156,000
Hawaii	75,000	--	75,000	--	--
Idaho	501,218	13,782	515,000	29,000	98,000
Illinois	335,000	--	335,000	67,600	200,000
Indiana	450,000	--	450,000	204,900	133,000
Iowa	1,455,000	--	1,455,000	--	221,000
Kansas	565,000	15,000	580,000	--	183,000
Kentucky	402,600	--	402,600	86,300	151,000
Louisiana	200,000	--	200,000	--	117,000
Maine	275,000	--	275,000	25,000	78,000
Maryland	190,000	--	190,000	41,600	32,000
Massachusetts	--	--	--	14,700	17,000
Michigan	325,000	--	325,000	24,900	145,000
Minnesota	197,400	--	197,400	13,400	222,000
Mississippi	560,000	--	560,000	102,700	149,000
Missouri	970,000	--	970,000	226,800	252,000
Montana	--	430,000	430,000	6,800	172,000
Nebraska	920,000	15,000	935,000	43,300	148,000
Nevada	--	225,000	225,000	--	41,050
New Hampshire	--	--	--	--	21,000
New Jersey	50,000	--	50,000	--	19,000
New Mexico	--	85,000	85,000	--	76,000
New York	545,000	--	545,000	154,300	150,000
North Carolina	185,000	--	185,000	34,500	139,000
North Dakota	190,000	--	190,000	--	144,000
Ohio	345,000	--	345,000	51,700	139,000
Oklahoma	655,000	55,000	710,000	33,300	166,000
Oregon	425,000	150,000	575,000	7,900	121,000
Pennsylvania	520,000	--	520,000	--	146,000
Puerto Rico	65,000	--	65,000	--	20,000
Rhode Island	--		--	--	3,000
South Carolina	295,000	--	295,000	40,800	79,000
South Dakota	70,000	--	70,000	--	113,000
Tennessee	1,085,000	--	1,085,000	313,600	129,000
Texas	1,005,000	585,000	1,590,000	--	553,000
Utah	125,000	200,000	325,000	--	63,000
Vermont	--	--	--	26,600	31,000
Virginia	205,000	--	205,000	268,500	97,000
Washington	720,000	--	720,000	--	151,000
West Virginia	40,000	--	40,000	19,900	54,000
Wisconsin	340,000	--	340,000	7,300	166,000
Wyoming	--	280,000	280,000	--	--
TOTAL	$15,386,218	$3,613,782	$19,000,000	$2,000,000	$5,757,050

AGRICULTURAL CONSERVATION PROGRAM
Conservation Reporting and Evaluation System
1983 and 1984 Summary Results

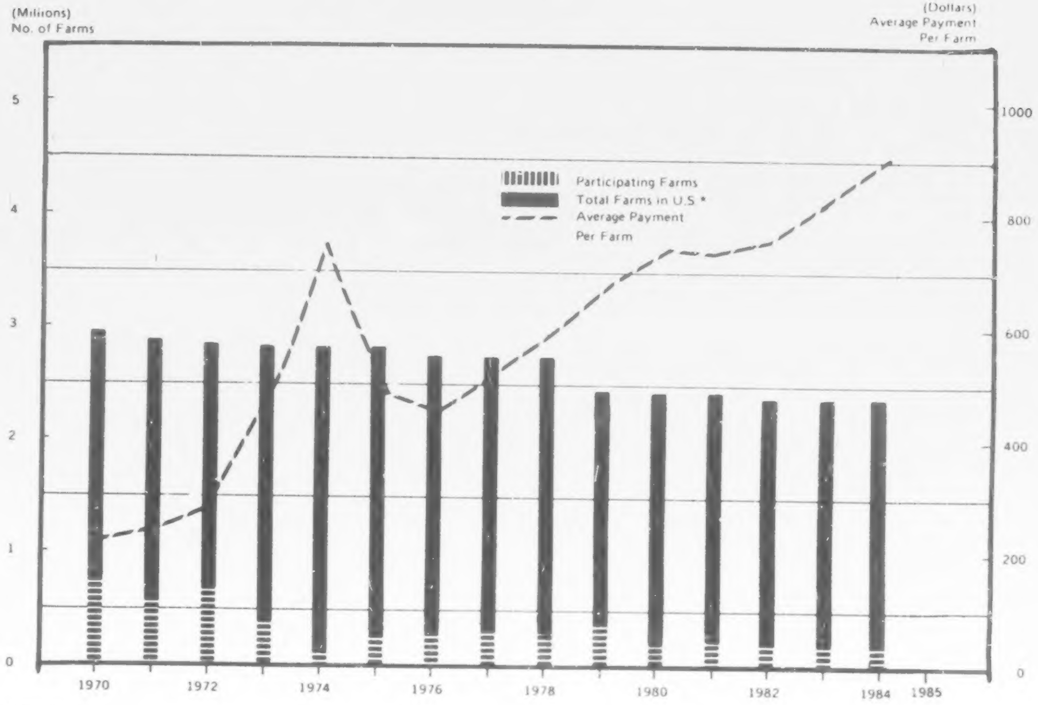
Soil Conservation



Water Conservation



AGRICULTURAL CONSERVATION PROGRAM
Total Number of U.S. Farms - Number of Participating Farms, Dollar Outlays and Average Payment Per Farm - Program Years 1970-84



$ Million
Outlays $181.0 146.7 196.7 195.6 65.4 138.7 134.7 175.3 182.8 248.0 183.7 201.0 167.8 179.8 180.1 181.8

*Total farms in United States—From 1979-1981, a farm was defined as a place having sales of agricultural products of $1,000 or more. Statistics are not comparable to those published for years prior to 1979 when a farm was defined as a place of 10 or more acres having sales of agricultural products of $50 or more and places of less than 10 acres that had annual sales of $250 or more. Starting in 1982, a farm is defined as a place that sells or could sell $1,000 of agricultural products during the year.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Water Bank Program

> [For necessary expenses to carry into effect the provisions of the Water Bank Act (16 U.S.C. 1301-1311), $8,800,000, to remain available until expended.]

This change deletes the appropriation language for the Water Bank Program since no funds are proposed for this program in fiscal year 1987.

Water Bank Program

Appropriations Act, 1986		$8,800,000
Budget Estimate, 1987		--
Decrease in Appropriation		-8,800,000
Adjustments in 1986:		
Appropriations Act, 1986	$8,800,000	
Less Pro-Rata Reduction, P.L. 99-190	-53,000	
Net Appropriations	8,747,000	
Adjusted base for 1986		8,747,000
Budget Estimate, 1987		--
Decrease from adjusted 1986		-8,747,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Annual payments to landowners and operators	$8,747,000 a/	-$8,747,000	--

a/ A request has been submitted to the Congress to rescind $8,371,000.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimate
Annual payments to landowners and operators	$8,800,000	$376,000	-$376,000	--
Proposed rescission	--	8,371,000a/	-8,371,000	--
Total, appropriation or estimate	$8,800,000	$8,747,000	-$8,747,000	--

a/ A request has been submitted to the Congress to rescind $8,371,000.

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Annual payments to landowners and operators	$8,788,876	$1,334,315	-$1,334,315	--
Unobligated balance brought forward from prior years .	-947,191	-958,315	+958,315	--
Unobligated balance carried forward to next year	958,315	--	--	--
Proposed rescission	--	8,371,000 a/	-8,371,000	--
Total, appropriation or estimate	$8,800,000	$8,747,000	-$8,747,000	--

a/ A request has been submitted to the Congress to rescind $8,371,000.

EXPLANATION OF PROGRAM

The appropriation "Water Bank Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970, as amended by Public Law 96-182, approved January 2, 1980.

Its purpose is to conserve water, preserve, maintain, and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas.

The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for 10 years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas. The Secretary makes annual payments to the owner or operator at a rate determined at the time of agreement and subject to review after 4 years and at the time of renewal.

The Secretary carries out the program in harmony with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal, and private conservation agencies to ensure coordination.

Due to the need for fiscal restraint, a rescission of $8,371,000 is requested in fiscal year 1986.

JUSTIFICATION OF DECREASE

A decrease of $8,747,000 for Water Bank Program payments to landowners and operators ($8,747,000 available in fiscal year 1986).

Need for Change. The WBP is proposed for termination due to the need for fiscal restraint and on the basis that limited Federal financial assistance should be concentrated on the conversion of cropland that meets strict criteria for entry into a Conservation Reserve Program.

Nature of Change. No additional acreage will be brought under agreement in fiscal year 1987. Expiring contracts will not be renewed, and payment rates on 5-year-old contracts will not be increased. Existing agreements through 1995 will be honored.

The following tables show (a) outlays for fiscal year 1985 and (b) geographic breakdown of obligations for fiscal years 1985-87.

Water Bank Program

Fiscal Year 1985 Outlays by State

State	Outlays
Arkansas	$323,406
California	502,944
Louisiana	424,447
Maine	75,148
Michigan	121,686
Minnesota	1,943,469
Mississippi	402,423
Montana	301,002
Nebraska	186,682
North Dakota	3,378,472
South Dakota	1,632,959
Vermont	34,448
Wisconsin	502,499
SCS Tech. Assistance	6,454
TOTAL	$9,836,039

Geographic Breakdown of Obligations
Fiscal Year 1985 and Estimated Fiscal Years 1986 and 1987

State	Fiscal Year 1985	Fiscal Year 1986 b/	Fiscal Year 1987
Arkansas	$460,318	-$34,511	--
California	450,734	90,024	--
Louisiana	510,337	38,327	--
Maine	-10,153 a/	22,180	--
Michigan	-14,612 a/	15,205	--
Minnesota	1,615,696	185,350	--
Mississippi	535,111	60,641	--
Montana	133,852	34,715	--
Nebraska	148,878	40,702	--
North Dakota	3,574,289	481,640	--
South Dakota	1,020,392	317,408	--
Vermont	-362 a/	164	--
Wisconsin	364,396	82,470	--
Undistributed:			
Proposed rescission	--	8,371,000	--
Total, Available or Estimate (includes SCS Tech. Assistance)	$8,788,876	$9,705,315	--

a/ Negative obligations represent deobligation of prior year funds.
b/ Funds totaling $8.371 million are proposed for rescission.

WATER BANK PROGRAM

STATUS OF PROGRAM

The objectives of the Water Bank Program (WBP) are to:

1. Preserve, maintain, and improve the nation's wetlands.
2. Conserve surface waters.
3. Preserve and improve habitat for migratory waterfowl and other wildlife resources.
4. Reduce soil and wind erosion and runoff.
5. Contribute to flood control.
6. Improve water quality and reduce stream sedimentation.
7. Improve subsurface moisture.
8. Reduce the number of acres of new land coming into agricultural production and retire some lands now in agricultural production.
9. Enhance the natural beauty of the landscape.
10. Promote comprehensive and total water management planning.

Current Activities: Under the Water Bank Program, persons having eligible wetlands in selected migratory waterfowl nesting, breeding, and feeding areas enter into 10-year agreements, with provision for renewal, and receive annual payments for preserving wetlands.

The Water Bank Act, as amended by P.L. 96-182, approved January 2, 1980, authorizes the Secretary to review rental rates on agreements at the beginning of the fifth year and at time of renewal, and to adjust these rates if land and crop values have changed.

The amended act also specifies that payments cannot exceed $30 million in any calendar year, and that not more than 15 percent of the funds authorized to be appropriated in any fiscal year may be used for agreements in any one State.

Selected Examples of Recent Progress:

1. Contract Renewal. The agreements entered in 1975 expired December 31, 1984. Of these 685 expiring agreements approximately 50 percent will be renewed for another 10 years.

   Payment Rates. ASCS spent approximately $100,000 to increase payment rates for agreements signed in calendar year 1981.

3. Participation. During fiscal year 1985, 488 agreements were signed with landowners to protect 50,564 acres. From 1976 through September 1985, 5,405 agreements were entered into on 605,649 acres of land.

The tables that follow show (a) the status of calendar year agreements from 1976 through September 1985, (b) 1985 calendar year agreements by State through September 1985, and (c) annual payments to landowners and acres under agreement, as of September 30, 1984.

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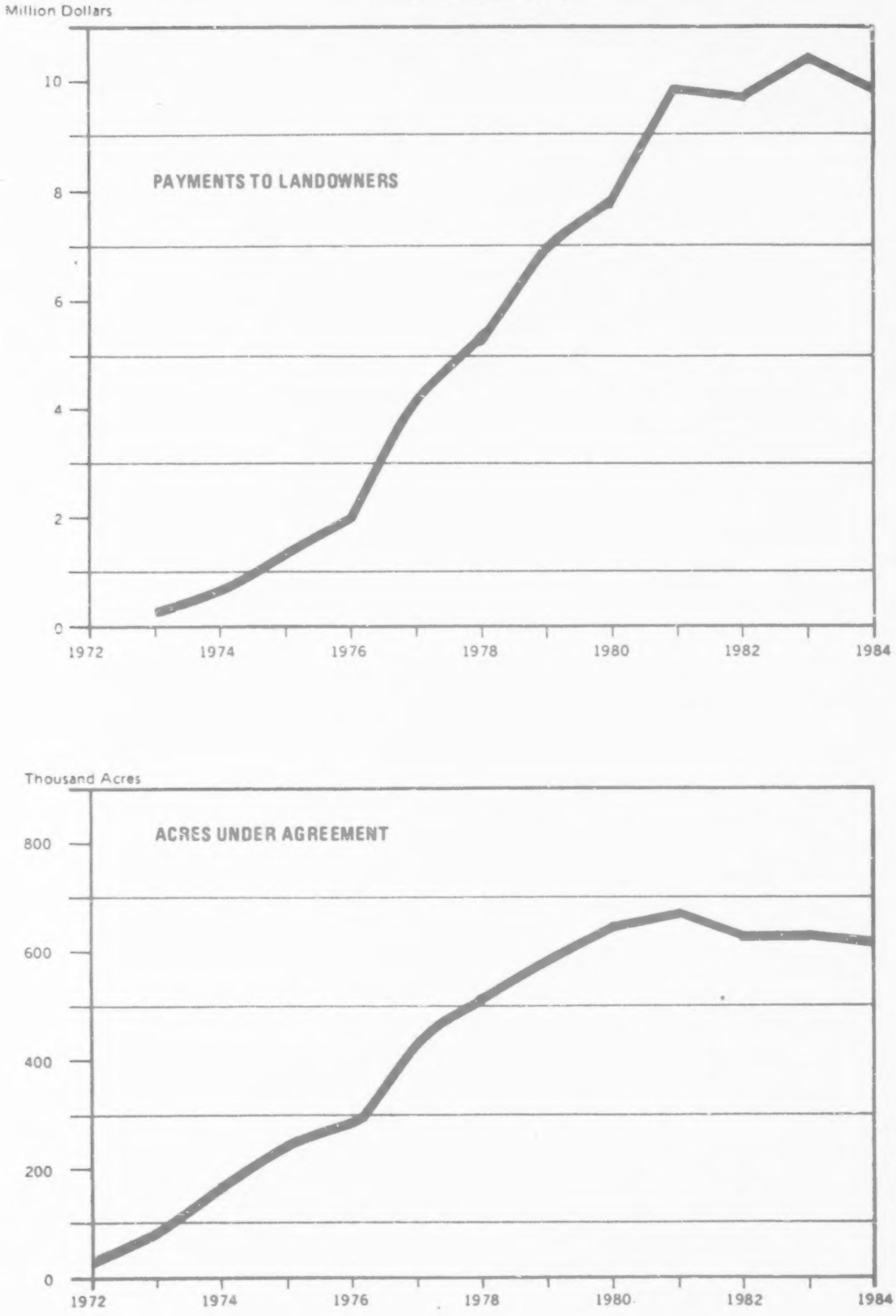
Status of Calendar Year Agreements

Year	Number of Agreements	Total Designated Acres	Annual Payment
1976	526	61,389	$898,195
1977	720	107,099	1,818,965
1978	570	71,287	1,192,108
1979	709	78,538	1,330,397
1980	557	61,662	1,103,100
1981	279	26,741	397,369
1982	521	44,865	687,779
1983	515	50,130	806,578
1984	520	53,374	799,757
1985	488	50,564	759,886
Total	5,405	605,649	$9,794,134

1985 Calendar Year Agreements
As of September 30, 1985

State	Number of Approved Counties	Number of Agreements	Designated Acres	Annual Payment for Designated Acreage
Arkansas	9	36	5,597	$39,181
California	11	6	1,882	24,169
Louisiana	7	13	2,973	34,035
Minnesota	39	145	6,106	157,165
Mississippi	4	20	3,018	25,659
Montana	6	5	588	10,345
Nebraska	11	7	267	9,248
North Dakota	33	170	25,547	342,750
South Dakota	40	63	5,905	86,776
Wisconsin	9	34	2,241	55,481
Total	169	499	54,124	$784,809

Water Bank Program
ANNUAL PAYMENTS TO LANDOWNERS AND ACRES UNDER AGREEMENT
Calendar Years 1973-1984



Emergency Conservation Program

Appropriation Act, 1986	--
Budget Estimate, 1987	--
Change in Appropriation	--

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Emergency cost-sharing and technical assistance to farmers	--	--	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Emergency cost-sharing and technical assistance to farmers..................	--	--	--	--
Total, appropriation or estimate................	--	--	--	--

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Emergency cost-sharing and technical assistance to farmers....................	$5,435,611	$10,114,099	--	--
Unobligated balance brought forward from prior years..	-15,549,710	-10,114,099	+$10,114,099	--
Unobligated balance carried forward to next year......	10,114,099	--	--	--
Total, appropriation or estimate..................	--	--	--	--

EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Agricultural Credit Act of 1978 (P.L. 95-334). Under the program the Government shares the cost of carrying out approved practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters.

Assistance is available when, as a result of wind, floods, hurricanes or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage that is unusual in character and, except for wind erosion, is not the type that would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use. Also, payments may be made to agricultural producers who carry out emergency water conservation or water enhancing measures during periods of severe drought as determined by the Deputy Administrator, State and County Operations, ASCS.

Cost-sharing may be offered for emergency conservation measures only to replace or restore a practice or to restore the land to a condition similar to that existing prior to the natural disaster, and may not be offered for the solution of conservation problems existing prior to the disaster involved.

Emergency conservation measures or practices for which cost-sharing may be authorized are:

Practice EC1. Removing debris from farmland, including farmsteads and roadways.

Practice EC2. Grading, shaping, releveling or similar measures to restore farmland.

Practice EC3. Restoring permanent fences.

Practice EC4. Restoring structures and other installations.

Practice EC5. Emergency wind erosion control measures.

Practice EC6. Drought emergency measures.

Practice EC7. Other emergency conservation measures.

Practices EC1 through EC5 are subject to approval by the ASC county committee. Practices EC6 and EC7 additionally require prior approval by the Deputy Administrator, State and County Operations.

JUSTIFICATION OF INCREASE OR DECREASE

No funds were appropriated for this program in fiscal year 1986. Due to the need for fiscal restraint, termination of this program is proposed for fiscal year 1987.

The following tables show (a) outlays by State, fiscal year 1985 and (b) geographic breakdown of obligations for fiscal years 1985-87.

Emergency Conservation Program
Fiscal Year 1985 Outlays by State

State	Outlays
Alabama	$394,930
Arizona	486,976
Arkansas	1,970
California	904,326
Colorado	993,286
Connecticut	17,520
Georgia	772,856
Hawaii	214,210
Idaho	341,185
Illinois	2,551
Indiana	37,652
Iowa	775,460
Kansas	77,275
Kentucky	75,981
Maine	7,958
Massachusetts	98,366
Michigan	19,901
Minnesota	12,982
Mississippi	57,211
Missouri	911,388
Montana	131,504
Nebraska	1,324,541
Nevada	437,765
New Hampshire	8,219
New Mexico	70,080
New York	84,208
North Carolina	68,964
Oklahoma	130,083
Oregon	190,670
Pennsylvania	132,494
South Carolina	416,721
South Dakota	339,195
Tennessee	3,392
Texas	277,518
Utah	1,132,242
Vermont	140,016
Washington	38,822
West Virginia	16,021
Wisconsin	59,250
Wyoming	209,680
TOTAL	$11,415,369

Emergency Conservation Program
Geographic Breakdown Of Obligations
Fiscal Year 1985 and Estimated Fiscal Years 1986 and 1987

State	Fiscal Year 1985	Fiscal Year 1986	Fiscal Year 1987
Alabama	$113,077	$644,320	--
Arizona	263,666	--	--
California	-102,966	223,326	--
Colorado	370,834	--	--
Connecticut	-1,649	--	--
Georgia	92,328	230,091	--
Hawaii	209,365	--	--
Idaho	258,485	--	--
Illinois	33,777	--	--
Indiana	48,030	--	--
Iowa	273,899	--	--
Kansas	77,275	--	--
Kentucky	-18,719	--	--
Maine	16,343	--	--
Massachusetts	-18,067	--	--
Michigan	38,884	446,651	--
Minnesota	12,982	--	--
Mississippi	66,892	--	--
Missouri	892,495	--	--
Montana	365,738	--	--
Nebraska	781,690	--	--
Nevada	357,246	--	--
New Hampshire	-2,680	--	--
New Jersey	--	11,911	--
New Mexico	176,041	267,951	--
New York	2,191	--	--
North Carolina	64,782	--	--
Oklahoma	39,332	--	--
Oregon	154,918	--	--
Pennsylvania	139,582	101,241	--
South Carolina	-138,445	--	--
South Dakota	83,971	--	--
Tennessee	-4,076	--	--
Texas	224,227	--	--
Utah	185,353	--	--
Vermont	3,772	--	--
Virginia	25,553	2,233,257	--
Washington	27,468	--	--
West Virginia	35,651	5,955,351	--
Wisconsin	745	--	--
Wyoming	285,621	--	--
Total, Available or Estimate (includes SCS Tech. Assistance)	$5,435,611	$10,114,099	--

NOTE: Negative obligations represent deobligation of prior years' funds.

EMERGENCY CONSERVATION PROGRAM

STATUS OF PROGRAM

The Emergency Conservation Program (ECP) provides emergency funds for sharing with farmers and ranchers the cost of rehabilitating farmlands damaged by wind and water erosion, floods, hurricanes, or other natural disasters, and for carrying out emergency water conservation measures during periods of severe drought. Cost-sharing may be offered only for emergency conservation practices to replace or restore farmland to a condition similar to that existing prior to the natural disaster.

Current Activities: Cost-share levels are established for the total eligible restoration cost not to exceed 64 percent of the first $62,500, 40 percent of the second $62,500, and 20 percent of the eligible cost above $125,000.

The overall maximum cost shared by the Federal Government is 64 percent of the total eligible cost of carrying out approved practices. The maximum cost-share payment which may be made to any person under the program is $200,000 per person, per disaster, including pooling agreements.

During fiscal year 1984, approximately 3,500 farms in 34 States participated in the program, involving approximately 761,616 acres and $15,488,359 in cost-share and technical assistance. In fiscal year 1985, $11,415,369 in cost-share and technical assistance was provided.

Selected Examples of Recent Progress:

1. Flooding. During fiscal year 1985, producers in 37 States were provided ECP assistance totaling $8,648,234 to repair flood damage by reshaping the land and removing debris.

2. Tornado. In 11 States, assistance of $987,848 was provided to producers during fiscal year 1985 to rehabilitate land damaged by tornadoes.

3. Hurricane. Producers in North Carolina received $49,593 in fiscal year 1985 to repair damage due to hurricanes.

4. Drought. Assistance of $228,340 was provided to producers in two States during fiscal year 1985 to correct new conservation problems on farmland caused by severe drought.

5. Volcano. During fiscal year 1985 producers in the State of Washington received $29,451 to restore land damaged by the Mt. St. Helens eruption.

6. Other Disasters. Producers in 18 States received $948,908 in fiscal year 1985 to repair damage caused by other disasters such as hail, high winds, and ice.

The tables that follow show (a) appropriations and outlays for fiscal years 1957 through 1985, and (b) outlays by type of disaster for fiscal year 1985.

Emergency Conservation Program
Appropriations and Outlays
Fiscal Years 1957-1985

Fiscal Year	Appropriation	Outlay
1957	$4,000,000	$931,800
1958	20,000,000	1,975,898
1959	--	3,211,377
1960	--	897,656
1961	--	549,201
1962	5,000,000	8,796,544
1963	--	2,701,428
1964	4,000,000	3,392,835
1965	14,000,000	10,007,537
1966	24,000,000	13,189,570
1967	5,000,000	5,701,969
1968	5,000,000	5,403,016
1969	5,000,000	7,143,935
1970	5,000,000	8,303,981
1971	5,000,000	12,364,588
1972	12,000,000	7,407,073
1973	25,000,000	9,227,765
1974	10,000,000	18,195,465
1975	10,000,000	8,152,886
1976	10,000,000	11,242,440
TQ	2,500,000	3,399,204
1977	10,000,000	15,858,888
1978	30,000,000	15,496,330
1979	10,000,000	23,384,000
1980	35,000,000	22,196,759
1981	10,000,000	15,700,695
1982	8,800,000	4,400,132
1983	--	9,854,249
1984	19,000,000	15,488,359
1985	--	11,415,369
Total	$288,300,000	$275,987,949

Emergency Conservation Program
Outlays by Type of Disaster
Fiscal Year 1985

State	Flood	Tornado	Drought	Hurricane	All Other Disasters	Total
Alabama	$344,226	$3,956	--	--	--	$348,182
Arizona	477,448	--	--	--	--	477,448
Arkansas	1,970	--	--	--	--	1,970
California	901,291	--	--	--	$5,276	906,567
Colorado	848,118	--	--	--	40,991	889,109
Connecticut	17,520	--	--	--	--	17,520
Georgia	455,456	248,405	--	--	33,560	737,421
Hawaii	620	--	$67,762	--	139,635	208,017
Idaho	283,781	--	--	--	11,851	295,632
Illinois	2,551	--	--	--	--	2,551
Indiana	37,652	--	--	--	--	37,652
Iowa	327,577	154,385	--	--	293,498	775,460
Kansas	71,431	--	--	--	--	71,431
Kentucky	65,641	--	--	--	--	65,641
Maine	--	--	--	--	7,958	7,958
Massachusetts	91,501	--	--	--	5,350	96,851
Michigan	19,901	--	--	--	--	19,901
Minnesota	--	12,982	--	--	--	12,982
Mississippi	1,675	57,236	--	--	800	59,711
Missouri	844,634	5,847	--	--	35,678	886,159
Montana	2,554	--	--	--	128,950	131,504
Nebraska	1,069,073	13,726	--	--	173,316	1,256,115
Nevada	411,352	--	--	--	--	111,352
New Hampshire	6,462	--	--	--	--	6,462
New Mexico	40,539	--	--	--	--	40,539
New York	81,873	--	--	--	--	81,873
North Carolina	765	18,632	--	$49,593	--	68,990
Oklahoma	89,574	--	--	--	36,077	125,651
Oregon	185,798	--	--	--	--	185,798
Pennsylvania	76,655	30,321	--	--	21,519	128,495
South Carolina	--	416,721	--	--	--	416,721
South Dakota	332,724	--	--	--	939	333,663
Tennessee	3,392	--	--	--	--	3,392
Texas	95,836	--	160,578	--	--	256,414
Utah	1,090,751	--	--	--	2,877	1,093,628
Vermont	121,302	--	--	--	3,800	125,102
Washington	9,371	--	--	--	29,451	38,822
West Virginia	9,188	--	--	--	6,833	16,021
Wisconsin	31,982	25,637	--	--	--	57,619
Wyoming	196,050	--	--	--	--	196,050
TOTAL	$8,648,234	$987,848	$228,340	$49,593	$978,359	$10,892,374 a/

a/ Excludes technical assistance and refunds. Total outlays, including $570,576 for technical assistance and refunds of $-47,581, are $11,415,369.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Forestry Incentives Program

> [For necessary expenses, not otherwise provided for, to carry out the program of forestry incentives, as authorized in the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101), including technical assistance and related expenses, $12,500,000, to remain available until expended, as authorized by that Act.]

This change deletes the appropriation language for the Forestry Incentives Program since no funds are proposed for this program in fiscal year 1987.

Forestry Incentives Program

Appropriations Act, 1986	$12,500,000
Budget Estimate, 1987	--
Decrease in Appropriation	-12,500,000

Adjustments in 1986		
Appropriations Act, 1986	$12,500,000	
Less Pro-Rata Reduction, P.L. 99-190	-75,000	
Net Appropriations	12,425,000	
Adjusted base for 1986		12,425,000
Budget Estimate, 1987		--
Decrease from adjusted 1986		-12,425,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Cost-sharing and technical assistance to landowners	$12,425,000	-$12,425,000	--

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Cost-sharing and technical assistance to landowners	$12,500,000	$12,425,000	-$12,425,000	--
Total, appropriation or estimate	$12,500,000	$12,425,000	-$12,425,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Cost-sharing and technical assistance to landowners .	$12,775,563	$13,272,960	-$13,272,960	--
Technical assistance (allocation to Forest Service)	13,009a/	--	--	--
Unobligated balance brought forward from prior years .	-1,136,532	-847,960	+847,960	--
Unobligated balance carried forward to next year	847,960	--	--	--
Total, appropriation or estimate	$12,500,000	$12,425,000	-$12,425,000	--

a/ The allocation to FS was converted to a reimbursable account October 1, 1982. However, fiscal year 1985 technical assistance was funded by unobligated allocation account funds brought forward.

EXPLANATION OF PROGRAM

The appropriation "Forestry Incentives Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Cooperative Forestry Assistance Act of 1978. Its purpose is to encourage the development, management, and protection of nonindustrial, private forest lands to increase the production of timber and enhance other forest resources.

The program is carried out through annual and long-term cost-sharing agreements with private landowners who improve a stand of forest trees or plant trees.

Under the 1986 program, cost-sharing will be provided to improve timberstand on approximately 43,600 acres and to plant trees on approximately 170,600 acres of forest.

JUSTIFICATION OF DECREASE

A decrease of $12,425,000 for cost-sharing and technical assistance to landowners ($12,425,000 available in fiscal year 1986).

Need for Change. The FIP is proposed for termination on the basis that limited Federal financial assistance should be concentrated on the conversion of cropland that meets strict criteria for entry into a Conservation Reserve Program.

The potential for a long-term timber shortage has been reduced and is not sufficient to justify the current use of scarce Federal resources in an industry where the rate of return on investment is substantial enough to attract private investors.

Nature of Change. No new activity will be initiated under this program. Practices for which funds were previously obligated will be completed. Existing long-term agreements will be honored.

The following tables show (a) outlays for fiscal year 1985 and (b) geographic breakdown of obligations for fiscal years 1985-87.

Forestry Incentives Program
Fiscal Year 1985 Outlays by State

State	Outlays
Alabama	$1,150,453
Arkansas	668,392
California	77,075
Colorado	18,500
Connecticut	4,473
Delaware	80,085
Florida	1,042,864
Georgia	1,291,074
Idaho	19,704
Illinois	74,673
Indiana	87,763
Iowa	8,249
Kansas	6,634
Kentucky	86,341
Louisiana	648,419
Maine	64,524
Maryland	226,533
Massachusetts	30,163
Michigan	111,440
Minnesota	103,814
Mississippi	865,974
Missouri	72,102
Montana	10,976
Nebraska	1,796
Nevada	15,202
New Hampshire	36,986
New Jersey	2,419
New Mexico	7,919
New York	74,976
North Carolina	659,139
Ohio	162,352
Oklahoma	90,417
Oregon	485,731
Pennsylvania	97,705
Puerto Rico	19,639
Rhode Island	5,519
South Carolina	941,710
South Dakota	7,898
Tennessee	143,364
Texas	376,482
Vermont	46,974
Virginia	710,933
Washington	434,972
West Virginia	44,349
Wisconsin	220,962
Wyoming	46,725
ASCS, Subtotal	11,384,394
FS Technical Assistance	1,094,054
TOTAL	$12,478,448

Forestry Incentives Program
Geographic Breakdown of Obligations
Fiscal Year 1985 and Estimated Fiscal Years 1986 and 1987

State	Fiscal Year 1985	Fiscal Year 1986	Fiscal Year 1987
Alabama	$1,044,682	$1,084,870	--
Arizona	14,368	10,000	--
Arkansas	754,001	764,628	--
California	127,116	195,347	--
Colorado	-4,873	33,670	--
Connecticut	-3,851	33,457	--
Delaware	48,139	62,168	--
Florida	1,155,722	1,045,151	--
Georgia	1,496,809	1,461,626	--
Idaho	54,516	56,000	--
Illinois	59,475	61,994	--
Indiana	73,225	89,066	--
Iowa	8,114	13,517	--
Kansas	4,708	9,450	--
Kentucky	70,448	70,641	--
Louisiana	669,829	680,951	--
Maine	72,110	87,032	--
Maryland	117,586	118,593	--
Massachusetts	47,595	44,148	--
Michigan	114,470	117,264	--
Minnesota	98,496	100,045	--
Mississippi	640,739	790,704	--
Missouri	54,038	80,486	--
Montana	6,836	25,823	--
Nebraska	3,182	7,231	--
Nevada	29	8,000	--
New Hampshire	53,452	34,008	--
New Jersey	-6,317	20,826	--
New Mexico	3,324	24,256	--
New York	65,433	98,295	--
North Carolina	585,384	679,860	--
Ohio	152,642	145,685	--
Oklahoma	111,739	99,355	--
Oregon	608,324	546,468	--
Pennsylvania	81,388	94,516	--
Puerto Rico	19,591	38,587	--
Rhode Island	6,554	9,560	--
South Carolina	1,004,023	1,043,464	--
South Dakota	22,986	24,214	--
Tennessee	178,334	170,007	--
Texas	448,417	513,741	--
Vermont	43,030	44,312	--
Virginia	702,866	723,513	--
Washington	372,243	363,977	--
West Virginia	43,891	58,058	--
Wisconsin	226,823	201,900	--
Wyoming	74,599	50,579	--
ASCS, Subtotal	11,526,235	12,037,043	--
FS Technical Assistance	1,262,327	1,235,917	--
Total, Available or Estimate	$12,788,572	$13,272,960	--

NOTE: Negative obligations represent deobligation of prior years' funds.

FORESTRY INCENTIVES PROGRAM

STATUS OF PROGRAM

The objective of the Forestry Incentives Program (FIP) is to increase the amount of timber produced by nonindustrial private landowners. Cost-sharing assistance is available for planting trees, improving a stand of forest trees, and enhancing other forest resource values.

Current Activities: FIP is available in counties designated on the basis of a Forest Service survey of total eligible private timberland available for potential production of timber products. Special features of the program include:

1. Cost-Share Rate. FIP shares up to 65 percent of the cost of performing forestry practices. The percentage cost-shared depends on the rate set in a particular State and county by the Agricultural Stabilization and Conservation (ASC) committee in consultation with the State forester or equivalent State official.

2. Eligibility. To be eligible for cost-sharing assistance under FIP, a landowner must:

   -- Be a private nonindustrial forest landowner. An eligible landowner is a private individual, group, Indian tribe or other native group, association, corporation (excluding corporations whose stocks are publicly traded), or other legal entity which owns eligible land. Landowners engaged in the manufacture of forest products on a part-time or irregular basis are eligible.

   -- Own not more than 1,000 acres of eligible forest land (unless ASCS determines it is in the public interest to grant an exception for a larger unit up to 5,000 acres).

   -- Have land that is capable of producing marketable timber crops and meeting minimum productivity standards of at least 50 cubic feet of wood per acre per year.

   -- Have land that is suitable for forestation if presently not in trees, for reforestation, or for improved forest management. Usually, the eligible species for planting are softwoods, but hardwoods that have proven planting histories may be approved in specified areas.

3. Forest Management Plan. Once an eligible landowner requests assistance through an ASCS county office, a representative of the State forestry agency examines the landowner's property to certify the need for the practice. The landowner may enter into either an annual or long-term agreement (3-10 years). As a condition for cost-sharing assistance the State forester in cooperation with the landower develops a forest management plan. The plan, when completed, must be approved by the State forester or his or her representative and a copy provided to the county ASC committee. The State forestry agency provides technical advice and helps find approved vendors, if needed, for getting the work accomplished.

4. Payment Limitation. Once the State forestry agency certifies that the project is complete, the county ASCS office makes the cost-share payments. The payment limitation to any person during any year is $10,000 for completed forestry practices.

5. Practices. The practices for which costs are shared under FIP are as follows:

   -- Planting Trees. This practice is intended to increase the production of timber and improve the environment. Site preparation is an authorized part of the practice if certified by a representative of the State forestry agency as being necessary.

   -- Improving a Stand of Forest Trees. This practice is aimed at increasing growth of trees on sites suitable for production of sawtimber and veneer logs. Both softwood and hardwood improvement practices may qualify. Precommercial thinning, pruning of crop trees, and releasing desirable seedlings and young trees are acceptable measures.

   -- Site Preparation for Natural Regeneration. This practice is aimed at establishing a stand of forest trees through natural regeneration for timber production purposes and to preserve and improve the environment.

   -- Special Forestry Practices. A special forestry practice may be approved by the Director, Conservation and Environmental Protection Division, ASCS, after consultation with the Forest Service when needed for a significant and unique local condition for which the national practices are not adequate.

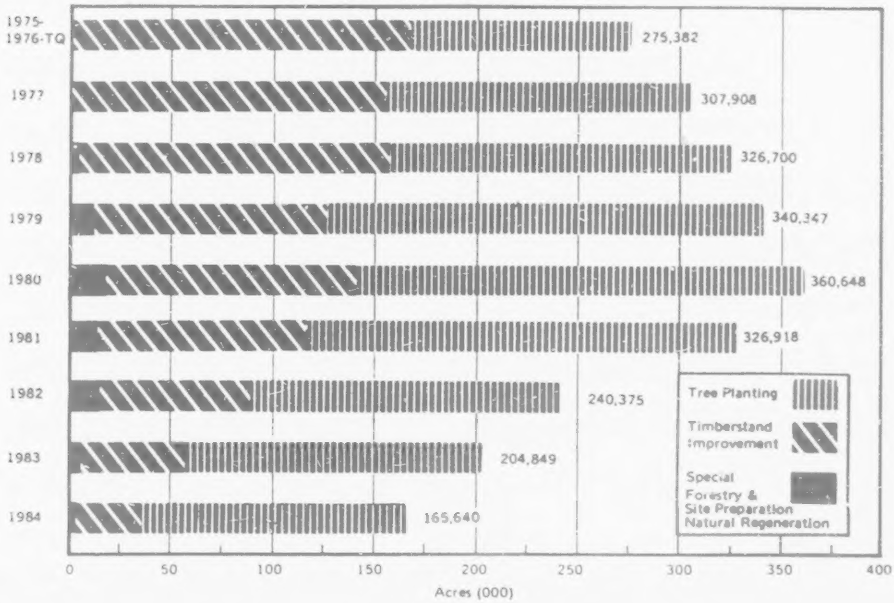
Selected Examples of Recent Progress: Program accomplishments include:

1. Participation. During fiscal year 1984, about 4,870 landowners and operators participated in the program. From fiscal year 1975, when the program became separately funded, through fiscal year 1984, 79,060 participants entered cost-share agreements to increase the production of timber on about 2,549,000 acres of private forest lands.

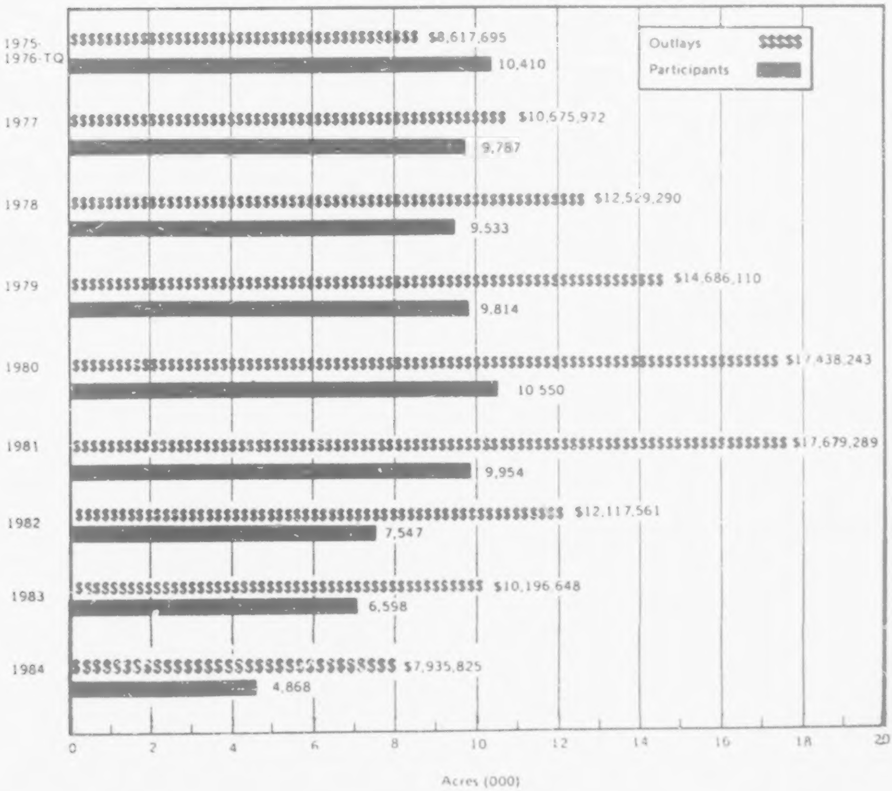
2. Payments. Cost-sharing payments in fiscal year 1985 totaled $11,384,394. Cumulative payments through September 30, 1985, totaled $124,961,774.

The following tables reflect (a) the number of acres by type practice, and (b) the outlays and number of participants for fiscal years 1975 through 1984.

Forestry Incentives Program (FIP)
NUMBER OF ACRES - FY 1975-1984



Forestry Incentives Program (FIP)
OUTLAYS AND NUMBER OF PARTICIPANTS - FY 1975-1984



Rural Clean Water Program

Appropriation Act, 1986	--
Budget Estimate, 1987	--
Change in Appropriation	--

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Cost-sharing and technical assistance to farmers........	--	--	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Cost-sharing and technical assistance to farmers....	--	--	--	--
Total, appropriation or estimate................	--	--	--	--

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Cost-sharing and technical assistance to farmers	$1,854,649	$10,635,093	-10,635,093	--
Unobligated balance brought forward from prior years..	-18,489,742	-16,635,093	+16,635,093	--
Unobligated balance carried forward to next year......	16,635,093	--	--	--
Proposed rescission.......	--	6,000,000a/	-6,000,000	--
Total, appropriation or estimate..................	--	--	--	--

a/A request has been submitted to the Congress to rescind $6,000,000.

EXPLANATION OF PROGRAM

The experimental Rural Clean Water Program is authorized by the Agriculture, Rural Development and Related Agencies Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528).

A $50 million appropriation was provided in fiscal year 1980, and $20 million was added in fiscal year 1981, to remain available until expended. The purpose of the program is to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. It provides long-term financial and technical assistance to landowners and operators to improve water quality and meet water quality goals. Under the program, participants agree to install and maintain practices as specified in an approved water quality plan. The effectiveness of the practices in reducing identified pollutants entering a stream or lake or leaving their source is evaluated. Federal technical assistance is provided by the Soil Conservation Service, Forest Service, Economic Research Service, and the Environmental Protection Agency. Nonfederal technical assistance is provided by local agencies and/or conservation districts.

The experimental program encompasses 21 project areas, which contain a multiplicity of pollution-causing materials (nutrients/fertilizers, toxics/pesticides, organics/bacteria, sediment, dissolved solids, etc.). Recommended project areas were developed by local and State committees and approved by the Secretary of Agriculture in consultation with the Administrator of the Environmental Protection Agency.

Full funding is provided for all projects on a current dollar basis, amounting to $57.5 million in estimated costs. Application of the construction cost index (from the Department of Commerce Composite of Construction Cost Index, Bureau of the Census, Construction Statistics Division) to the original approvals is used to project future budgetary requirements. Due to a decline in the inflation rate from 15 percent to 5 percent, and also to a lower level of farmer participation, revised cost estimates, assuming a relatively stable inflation rate, indicate that approximately $64 million is sufficient to complete the 21 RCWP projects.

The following tables show (a) outlays by State, fiscal year 1985, (b) estimated costs by project, and (c) geographic breakdown of obligations for fiscal years 1985-1987.

Rural Clean Water Program
Fiscal Year 1985 Outlays by State

State	Outlays
Alabama	$230,537
Delaware	64,305
Florida	397,613
Idaho	495,249
Illinois	498,757
Iowa	61,785
Kansas	202,540
Kentucky	100,654
Louisiana	639,808
Maryland	624,938
Massachusetts	110,062
Michigan	257,192
Minnesota	109,811
Nebraska	250,900
Oregon	435,414
Pennsylvania	342,536
South Dakota	449,984
Tennessee	395,213
Utah	4,771
Vermont	432,945
Virginia	326,878
Wisconsin	228,471
TOTAL	$6,660,363

Rural Clean Water Program Projects

Project	Location	Estimated Costs	Status
Lake Tholocco	Alabama	$1,896,150	Implemented in 1980. 80% of its critical acres and 94% of its best management practice (BMP) funds are under contract.
Appoquinimink	Delaware	1,059,940	Implemented in 1980. 87% of its critical acres and 94% of its BMP funds are under contract.
Taylor Creek-Nubbin Slough	Florida	1,598,865	Implemented in 1981. 79% of its critical acres and 87% of its BMP funds are under contract.
Rock Creek	Idaho	4,426,734	Implemented in 1980. 72% of its critical acres and 84% of its BMP funds are under contract. Selected as one of five comprehensive monitoring and evaluation (CM&E) projects.
Highland Silver Lake	Illinois	3,841,550	Implemented in 1980. 69% of its critical acres and 87% of its BMP funds are under contract. A CM&E project.
Prairie Rose Lake	Iowa	705,186	Implemented in 1980. 83% of its critical acres and 87% of its BMP funds are under contract.
Upper Wakarusa	Kansas	2,276,421	Implemented in 1980. Has been terminated.
Reelfoot Lake	Kentucky	1,223,554	Implemented in 1980. 60% of its critical acres and 49% of its BMP funds are under contract.
Bonne Idee	Louisiana	5,237,112	Implemented in 1980. 74% of its critical acres and 99% of its BMP funds are under contract.

Project	Location	Estimated Costs	Status
Double Pipe Creek	Maryland	$11,249,500	Implemented in 1980. 96% of its critical acres and 87% of its BMP funds are under contract.
Westport River	Massachusetts	791,433	Implemented in 1981. 61% of its critical acres and 65% of its BMP funds are under contract.
Saline Valley	Michigan	2,770,998	Implemented in 1980. 34% of its critical acres and 82% of its BMP funds are under contract.
Garvin Brook	Minnesota	1,882,937	Implemented in 1981. 83% of its critical acres and 52% of its BMP funds are under contract.
Long Pine Creek	Nebraska	2,205,162	Implemented in 1981. 62% of its critical acres and 53% of its BMP funds are under contract.
Tillamook Bay	Oregon	4,293,790	Implemented in 1981. 76% of its critical acres and 92% of its BMP funds are under contract.
Conestoga Headwaters	Pennsylvania	2,952,114	Implemented in 1981. 29% of its critical acres and 51% of its BMP funds are under contract. A CM&E project.
Oakwood-Lake Poinsett	South Dakota	2,927,091	Implemented in 1981. 52% of its critical acres and 60% of its BMP funds are under contract. A CM&E project.
Reelfoot Lake	Tennessee	3,603,675	Implemented in 1980. 52% of its critical acres and 60% of its BMP funds are under contract.
Snake Creek	Utah	307,486	Implemented in 1980. 100% of its critical acres and 100% of its BMP funds are under contract.

Project	Location	Estimated Costs	Status
St. Albans Bay	Vermont	$4,127,225	Implemented in 1980. 74% of its critical acres and 97% of its BMP funds are under contract. A CM&E project.
Nansemond-Chuckatuck	Virginia	2,106,963	Implemented in 1981. 59% of its critical acres and 84% of its BMP funds are under contract.
Lower Manitowoc	Wisconsin	2,516,114	Implemented in 1980. 64% of its critical acres and 93% of its BMP funds are under contract.
	TOTAL	$64,000,000 1/	

1/ Includes funds for best management practices, information and education, Federal and nonfederal technical assistance, and comprehensive monitoring and evaluation.

Rural Clean Water Program
Geographic Breakdown of Obligations
Fiscal Year 1985 and Estimated Fiscal Years 1986 and 1987

State	Fiscal Year 1985	Fiscal Year 1986 a/	Fiscal Year 1987
Alabama	$76,793	--	--
Delaware	--	--	--
Florida	--	--	--
Idaho	--	$73,500	--
Illinois	332,986	7,000	--
Iowa	--	--	--
Kansas	--	--	--
Kentucky	--	--	--
Louisiana	--	--	--
Maryland	--	10,479,106	--
Massachusetts	--	--	--
Michigan	--	--	--
Minnesota	--	--	--
Nebraska	24,573	--	--
Oregon	467,998	--	--
Pennsylvania	60,200	-121,373	--
South Dakota	518,142	85,758	--
Tennessee	--	--	--
Utah	--	--	--
Vermont	95,476	106,102	--
Virginia	40,000	5,000	--
Wisconsin	238,481	--	--
Undistributed:			
Proposed rescission	--	6,000,000	--
Total, Available or Estimate	$1,854,649	$16,635,093	--

a/ Negative obligations represent deobligation of prior year obligations.

RURAL CLEAN WATER PROGRAM

STATUS OF PROGRAM

The Rural Clean Water Program (RCWP) is an experimental program designed to:

-- Assist agricultural landowners and operators to reduce agricultural nonpoint source water pollutants and to improve water quality in rural areas to meet water quality standards or water quality goals.
-- Develop and test means of controlling agricultural nonpoint source water pollution in rural areas.
-- Achieve improved water quality in the project area in the most cost-effective manner possible.

Current Activities: The experimental RCWP provides financial and technical assistance to farmers and ranchers for the installation of approved measures that reduce or control agricultural nonpoint source pollution.

1. Program Operation. Project proposals were developed and recommended by local and State coordinating committees and were selected by the Secretary of Agriculture in consultation with the Administrator of the Environmental Protection Agency. Work plans for each project, initially developed prior to selection, are updated annually.

   Each participant enters into a contract agreement during the first 5 years of the project, to carry out an individual water quality plan developed in cooperation with the Soil Conservation Service and the soil conservation district. Approved contracts then run from 3 to 10 years and may be modified to reflect changes in the status of the participant, the land under agreement, or farming operations.

   Pollution problems are treated by Best Management Practices (BMP's) specified by the individual water quality plan developed for each farm. Practices which qualify for cost-sharing under the RCWP are those that reduce pollutants entering a stream or lake, or prevent them from leaving their source.

2. Payment Levels and Limitations. The maximum Federal cost-share level is 75 percent, unless otherwise approved by the Administrator, ASCS. Total payment to a single producer is limited to $50,000 over the life of the contract. There is no annual limitation.

3. Monitoring and Evaluation. General monitoring, which records progress on practice installation, payments, and short- and long-term water quality trends, is planned for all projects. An economic evaluation of each project will also be performed to determine the cost-share rate for each practice. Comprehensive monitoring and evaluation (CM&E) involves the monitoring of water quality, analysis of samples, evaluation of results, and analysis of socioeconomic impact on the affected population. Projects in Vermont, Illinois, Idaho, Pennsylvania, and South Dakota have been selected for CM&E.

Selected Examples of Recent Progress: In fiscal year 1985, the following were accomplished:

-- The following six projects have at least 75 percent of their critical areas under contract: Lake Tholocco, Alabama; Appoquinimink, Delaware; Prairie Rose Lake, Iowa; Bayou Bonne Idee, Louisiana; Reelfoot Lake, Kentucky/Tennessee; and St. Albans Bay, Vermont.

-- Project wide, 1,832 contracts (93%) have been approved as of September 30, 1985 (since inception). Approximately 340 of these contracts were approved in FY 1985.

-- Project wide, 336,577 critical acres (63%) have been placed under contract (since inception). Approximately 40,000 of these critical acres were placed under contract in FY 1985.

-- Project wide $27,365,000 of BMP funds (81%) have been placed under contract (since inception). In FY 1985 $4,518,170 of these funds were placed under contract.

-- Project wide 2,876 applications were referred to SCS for development of water quality plans (since inception). 305 of these applications were referred to SCS in FY 1985.

-- The following projects have shown improvements in water quality at the project or sub-project levels: Taylor Creek-Nubbin Slugh, Florida; Rock Creek, Idaho; Prairie Rose Lake, Iowa; Tillamook Bay, Oregon; St. Albans Bay, Vermont; and Snake Creek, Utah.

COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly-owned Government corporation created in 1933 to stabilize, support, and protect farm income and prices; to help maintain balanced and adequate supplies of agricultural commodities, including products, foods, feeds, and fibers; and to help in the orderly distribution of these commodities. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948 (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities. These include the storage, handling, and disposition of commodities acquired under the programs; and set-aside or acreage reduction, payment-in-kind, deficiency, disaster, and/or diversion payment programs for feed grains, wheat, rice, and cotton, and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480), which are financed by appropriations authorized by statutes providing for these activities. Under section 4(a) of the Food for Peace Act of 1966, as amended, CCC may finance short-term export credit sales on credit terms not to exceed three years under the Export Credit Sales Program. The Corporation is also authorized by section 4(b) of the Food for Peace Act of 1966, as amended, to finance intermediate-term export credit sales in excess of three years, but not more than 10 years. The Corporation is also authorized under its charter authority to enter into export guarantee financing arrangements with respect to exported commodities.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States with the advice and consent of the Senate. Officers of the Corporation are designated according to their positions in the Department of Agriculture. The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The General Sales Manager, the Foreign Agricultural Service, other agencies and offices of the Department, and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its headquarters offices in Washington, D.C., and the Kansas City field offices.

The ASC State and county committees carry out certain support and related activities of the Corporation within the States and counties. There are 50 State offices, an insular area office in Puerto Rico, and approximately 2,800 county offices. The ASC State committees supervise the activities of the ASC county committees in their respective States.

FINANCING

Borrowing Authority

The Corporation has an authorized capital stock of $100 million held by the United States, with the authority to have outstanding borrowings of up to $25 billion at any one time. P.L. 95-279, approved May 15, 1978, increased the statutory borrowing authority to $25 billion, to the extent provided in appropriation acts. The FY 1982 supplemental appropriation act, P.L. 97-257, increased the availability to $25 billion.

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4).

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by the Commodity Credit Corporation and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after the end of the fiscal year in which such losses are realized.

Contract Authority

Support and other programs required by statute may result in the Corporation's incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds which may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the contract authority.

Appropriations

Reimbursement for net realized losses

Under Public Law 87-155 (15 U.S.C. 713a-11, 713a-12), annual appropriations are authorized for each fiscal year, commencing with fiscal year 1961. These appropriations are to reimburse the Corporation for net realized losses.

National Wool Act

Under section 705 of the National Wool Act, as amended (7 U.S.C. 1781-1787), a permanent appropriation is made to reimburse the Corporation for amounts expended during the preceding fiscal year and for amounts expended in prior fiscal years not previously reimbursed. This appropriation may not exceed 70 percent of the gross receipts from duties collected on wool and wool manufactures during the calendar year preceding the fiscal year.

Available Funds: 1985 Actual and Estimated, 1986 and 1987

Item	1985 Actual	1986 Estimated	1987 Estimated
Commodity Credit Corporation:			
Support and related programs:			
Reimbursement for net realized losses.............	$12,285,790,000	a/ $21,090,069,000	b/ $16,808,806,000
Reimbursement to CCC, National Wool Act.............	131,959,000	109,365,000	118,635,000
Total Commodity Credit Corporation	12,417,749,000	21,199,434,000	16,927,441,000

a/ Includes proposed supplemental of $7,950,000,000 to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

b/ Proposed to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987

(thousands of dollars)

		1985	1986	1987
22	Transportation of things............	$614,997	$645,622	$521,701
25	Other services......................	464,999	468,019	457,650
	Storage and handling................	701,333	1,218,151	1,795,433
26	Supplies and materials (cost of commodities sold or donated):			
	Foreign Assistance Programs.......	1,664,255	1,356,500	1,221,200
	Other.............................	2,718,357	2,351,938	1,944,674
	Equipment..........................	44,611	65,000	9,000
33	Investments and loans..............	10,443,074	17,143,483	11,545,437
41	Grants, subsidies, and contributions	7,411,726	12,177,186	13,062,096
43	Interest and dividends.............	2,072,586	1,804,244	2,188,558
99	Total obligations...............	26,135,938	37,230,143	32,745,749

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Reimbursement For Net Realized Losses

1 [To reimburse] For reimbursement to the Commodity Credit Corporation for
2 net realized losses sustained or anticipated, but not previously reimbursed,
3 such sums as may be necessary are available in this and subsequent years,
[pursuant to] as authorized by the Act of August 17, 1961 (15 U.S.C.
713a-11, 713a-12) [,9,195,240,000].

The first change makes the grammatical change required to include the second and third changes.

The second change is proposed in conjunction with the first language change to facilitate the reimbursement of anticipated CCC realized losses that have not yet occurred in the event reimbursement of actual losses sustained are not sufficient to enable the Corporation to continue its activities.

The third change is proposed to provide permanent, indefinite budget authority to reimburse the Corporation for net realized losses. This appropriation is for activities that have or will be accomplished with prior approval of the Congress. A current, definite appropriation is unnecessary since any adjustment to the reimbursement would have no efect on amounts already expended. Therefore, a permanent, indefinite appropriation is most suitable for this type of account.

Reimbursement for Net Realized Losses

Appropriation Act, 1986 (First Continuing Resolution).........	$9,195,240,000
Budget Estimate, 1987..	16,808,806,000
Increase in Appropriation....................................	+7,613,566,000

Adjustments in 1986:		
Appropriations Act, 1986 (First Continuing Resolution)..................................	$9,195,240,000	
Less Pro-Rata Reduction, P.L. 99-190...........	-55,171,000	
Net Appropriations..........................	9,140,069,000	
1986 Supplemental (Fifth Continuing Resolution P.L. 99-190)................................	+4,000,000,000	
1986 Proposed Supplemental.....................	+7,950,000,000 a/	
Adjusted base for 1986..................................		21,090,069,000
Budget Estimate, 1987..		16,808,806,000 a/
Decrease over adjusted 1986..................................		-4,281,263,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Change	1987 Estimated
Reimbursement of losses:			
Balance of 1985 actual losses..	$7,339,976,000 b/	-$7,339,976,000	---
1986 estimated losses..........	13,750,093,000	-7,324,443,000	$6,425,650,000
1987 estimated losses..........	---	+10,383,156,000	10,383,156,000
TOTAL AVAILABLE...............	21,090,069,000 c/	-4,281,263,000 d/	16,808,806,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Item	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Reimbursement of losses:				
Appropriation.	$12,285,790,000	$21,090,069,000 c/	-$4,281,263,000	$16,808,806,000 d/

a/ Proposed to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

b/ Total realized losses for FY 1985 were $12,934,899,000. $5,594,923,000 was reimbursed in FY 1985 leaving a balance of $7,339,976,000, which was reimbursed in the FY 1986 appropriation act.

c/ Includes proposed supplemental of $7,950,000,000 to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

d/ Proposed to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

EXPLANATION OF PROGRAM

USDA Goals and Objectives

The USDA goal is to assure that farmers and ranchers have the opportunity to earn incomes that are comparable with the returns elsewhere in the economy, and thereby assure supplies of agricultural products which are adequate to meet domestic and export demand at reasonable prices to consumers.

The primary objective is to achieve this goal through an approach that retains basic management responsibilities of farmers, provides for the maintenance of adequate food reserves, provides prices reasonable to consumers and competitive in world markets, and minimizes Federal interference in the agricultural economy.

Specific objectives are to:

-- Maintain national aggregate net farm income at levels sufficient to insure investments in agriculture necessary to utilize production capacity within environmental constraints.

-- Direct agricultural policy and programs so that the farm sector will be strengthened and provide adequate levels of net farm income.

Provisions of the Program

The programs of the Commodity Credit Corporation cover a wide range of operations.

A. The Commodity Credit Corporation is operated by the Agricultural Stabilization and Conservation Service of the Department of Agriculture.

   1. Its functions are performed primarily by ASCS employees.

   2. It is a corporate entity with commercial-type operations primarily related to the support of farm prices, but its budget processes must fit not only its own unique characteristics but also the processes used in formulating and executing the overall U.S. Budget.

   3. Its operations are closely related to and affected by the operations of other programs financed from other funds - such as Section 32 and School Lunch Programs, and commodity donations under Title II of P.L. 480.

   4. Its resources are utilized to carry out a variety of program objectives not strictly related to support operations. Some of these objectives are the responsibility of agencies other than the Agricultural Stabilization and Conservation Service.

B. CCC operations are unique in many ways.

   1. The primary aim of CCC is to assist in stabilizing, supporting, and protecting farm income and prices and to help maintain balanced and adequate supplies of agricultural commodities.

2. CCC operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives, including:

   a. Buying
   b. Selling
   c. Bartering
   d. Donating
   e. Lending
   f. Storing
   g. Transporting
   h. Making payments
   i. Other activities

3. The major activity is support of prices as required or authorized by existing law.

   a. Under existing law, support of farm prices is accomplished through nonrecourse loans (regular and reserve), payments (both cash and in-kind), and purchases from farmers or processors.

   b. Under existing law, CCC is required to support the price of corn, cotton, wheat, rice, peanuts, tobacco, dairy products, honey, barley, oats, rye, grain sorghum, sugar, soybeans, and seed cotton at levels provided for by law. CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage and compliance with acreage set-aside or acreage reduction provisions, if in effect. Income support in the form of direct payments is also required by law to be available to wool and mohair producers, as well as to feed grain, wheat, cotton and rice growers.

   c. In addition, CCC may support the prices of other commodities at the discretion of the Secretary.

4. CCC has no control over the volume of business it must handle. The relationship of the market price for each commodity to the support price largely determines the volume of that commodity which will be placed under loan or acquired by the CCC. This in turn is determined by weather conditions, insect damage, use of fertilizers, and all other factors influencing production, and by already existing supplies, domestic and export demand, and other factors affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC support operations.

5. CCC also carries out storage facilities activities through contracts with warehousemen, commodity export programs, and other activities. Support operations and resultant inventory management account for the bulk of the total workload.

6. Food Security Act of 1985

On December 23, 1985, the President signed the Food Security Act of 1985, a five-year farm bill which continues price support for wheat, feed grains, cotton, rice, dairy products, soybeans, sugar, peanuts, honey and wool but at the same time, provides lower, market-oriented commodity loan rates to make U.S. crops more competitive in world markets. Income protection is maintained for wheat, feed grains, cotton, and rice producers who comply with acreage limitation provisions through a system of deficiency payments, with payment equal to the difference between the established price and the higher of the national average market price or the loan rate. Total payments to a producer, with limited exceptions, may not exceed $50,000. The law establishes minimum target prices for these commodities for each of the 1986 crop through 1990 crops. For the 1986 crop, the target prices are $4.38 per bushel for wheat, $3.03 per bushel for corn, 81 cents per pound for cotton and $11.90 per hundredweight for rice. However, target prices may be lowered from current levels beginning with the 1987 crops of cotton and rice and with the 1988 crops of wheat and corn.

The 1985 Act also gives the Secretary of Agriculture increased flexibility to use marketing loans, which would permit commodity loan repayments at less than the original loan principal. Loan rates would be set to reflect market conditions and may be reduced each year to aid U.S. competitiveness in foreign markets. A marketing loan program is required for the 1986 crop of rice. For wheat and corn, the law sets basic loan rates at $3.00 per bushel and $2.40 per bushel, respectively, but allows an immediate ten to twenty percent decrease for the 1986 crops. On January 13, 1986 the Secretary announced the loan rates for wheat at $2.40 per bushel and for corn at $1.92 per bushel. For the 1986 crop of upland cotton, the loan rate is set at 55 cents per pound. If the loan rate is less than the prevailing world market price, the Secretary is then required to choose one of two options to enhance U.S. competitiveness. Under the first option, the Secretary would be required to announce a one-time loan repayment rate of up to 20 percent less than the loan rate, thus allowing producers to redeem their crops and sell them at a more competitive price. The second option would require repayment levels to be set periodically, to keep pace with the world cotton price. For soybeans, loan rates will be set to reflect market conditions but may be reduced further to enhance export competitiveness. The law maintains the loan rate for sugar at 18 cents per pound but requires that the program be operated at no cost to the federal government. Poundage quotas for peanuts are retained.

For dairy, the law provides greater authority to help control program costs. The support price for milk declines gradually from the present $11.60 per hundredweight to $11.10 by September 30, 1987. Thereafter, and until December 31, 1990, the support price may either decline or rise, depending on the quantity of surplus dairy products purchased by CCC. Between April 1, 1986 and September 30, 1987, dairy producers will be required to pay assessments to CCC to offset a portion of the cost of a "whole-herd buyout" program in which farmers will have the opportunity to leave dairying by liquidating their herds.

In addition to domestic farm price support, the new law also provides for trade expansion programs, including the Export Enhancement program, which uses CCC-owned commodities to expand markets and to counter unfair foreign trade practices, extends and expands the Food for Peace Public Law 480 program, and continues to make available export credit and export credit guarantees.

7. Conservation Reserve Program

A conservation reserve program to remove erosion-prone acreage from production is also authorized by the 1985 Act. The primary objectives of the Conservation Reserve Program (CRP) are to help farmers control critical soil erosion that occurs on about a third of America's cropland, and to decrease production of surplus agricultural commodities, including cotton, sorghum, wheat, corn, soybeans, and small grains.

Up to 45 million acreas of highly erodible land are authorized for protection under the CRP. About 5 million acres will be enrolled in the program during the 1986 crop year and 10 million acres during the 1987 crop year. In exchange for entering land into the reserve, program participants will receive annual rental payments in cash or commodities, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers will receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

Outlays for the CRP in fiscal year 1986 are projected at $190 million, which includes Federal costs of establishing protective ground cover. For fiscal year 1987, outlays are projected at $550 million -- $200 million for rental payments on the acreage signed up during the 1986 crop year and $350 million for the Federal share of vegetative cover costs for acreage signed up during the 1987 crop year. Contracts approved under the CRP in 1986 and 1987 will be funded by CCC for the life of the contract. Contracts approved in later years for additional acreages are required to be funded by a direct annual appropriation.

8. There are several characteristics of CCC operations which are important in analyzing its budget problems and processes.

   a. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen, and others.

   b. CCC operations involve the handling of millions of documents and transactions during a 12-month period.

   c. CCC workload cannot be deferred. Commodities must be moved, producer payments must be made, warehouse and freight charges must be paid, claims must be settled, and loans must be made and liquidated.

   d. The manner in which CCC inventories of individual commodities are handled and merchandised is of key importance to both domestic and foreign markets.

   e. Operating policies directly affect the day-to-day business operations of the many thousands of warehouses, elevators, handlers, processors, banks, exporters, importers, carriers, cooperatives, and others with which business dealings are conducted.

   f. Trade customs and practices with respect to individual commodities must be observed in operations.

g. To support prices, CCC generally makes nonrecourse loans to producers which bear no interest if the borrower does not repay them, and which are fully settled by delivery of the commodity to CCC at maturity of the loans. Effective with the 1986 crop, the Secretary of Agriculture has the authority to permit commodity loan repayments at less than the original loan principal, the so-called "marketing loan" provision.

h. CCC operations are big:

(1) The Corporation has an authorized capital stock of $100 million held by the United States and authority to have outstanding borrowings of up to $25 billion at any one time. Its capital structure is replenished each year by appropriations to restore realized losses on support operations and to reimburse costs of other programs.

(2) Its commodity loans and purchases in fiscal year 1985 amounted to $12.8 billion. $.2 billion of total purchases was for PIK entitlements and bid compensation transferred from the loan account. Sales proceeds totaled $1.8 billion of which $.7 billion was for PIK entitlements and bid compensation. The Corporation had outstanding loans on commodities of $12.2 billion and owned commodities with a cost value of $6.9 billion on September 30, 1985.

i. Export Loan Guarantees

Under the short-term Export Credit Guarantee Program (GSM-102), CCC guarantees for up to 3-year credit terms on payments due U.S. exporters, or their assignees (U.S. financial institutions), from defaults in payments by foreign banks on export credit sales due to commercial as well as noncommercial risks. In FY 1983, CCC instituted the blended credit program which provides for up to 3-year credit terms on a combination of interest-free direct credit under the Export Credit Sales Program (GSM-5) and credit guarantees under the Export Credit Guarantee Program (GSM-102). In FY 1986, an intermediate export credit guarantee program was authorized by the Food Security Act of 1985 for which CCC guarantees exports with credit terms up to 10 years.

The total amount of GSM-102 commitments made in FY 1985 was $2.673 billion. As required by the Food Security Act of 1985, the FY 1986 program level is established at $5 billion for the short-term export credit guarantee program (GSM-102) and $500 million for the intermediate export credit guarantee program. Proposed legislation is being submitted to Congress to reduce the FY 1987 program levels mandated by the Food Security Act of 1985 to $3 billion for the short-term export guarantee program and zero for the intermediate export guarantee program. The proposed legislation will also increase the fees on the export guarantee program from less than one percent to five percent.

j. Direct Export Credit

Under the short-term export credit sales program (GSM-5), CCC provides direct financing on terms not to exceed three years for the commercial sales of agricultural commodities from private stocks. Export credit loans amounted to $72.5 million in FY 1985. No direct credit program is planned for fiscal years 1986 and 1987.

k. Net Expenditures

Commodity Credit Corporation net expenditures for fiscal year 1987 after taking into account sequestration under Gramm-Rudman and proposed legislation are estimated at $16.2 billion, down $4.0 billion from an estimated record-high level of $20.3 billion in fiscal year 1986.

The decrease in projected fiscal year 1987 expenditures from the estimated fiscal year 1986 level is due largely to program policy changes provided in the Food Security Act of 1985. Reduced commodity loan rates combined with lower estimated production are responsible for the decrease in estimated 1986 crop loan expenditures. The lower production is attributable, in part, to increased acreage reduction requirements. Also, over $2 billion in 1986 crop cash deficiency payments that normally would have been made in fiscal year 1987 will, instead, be advanced to producers in fiscal year 1986 during program signup.

The following table shows CCC net expenditures by commodity or program for fiscal years 1985 through 1987.

COMMODITY CREDIT CORPORATION

FISCAL YEAR 1987 PRESIDENT'S BUDGET

FY 1985 Actual and FY 1986 and FY 1987 Estimated Net Expenditures (thousands of dollars)

Item	FY 1985 ACTUAL	FY 1986 ESTIMATE	FY 1987 ESTIMATE
Feed Grains and Products	$5,210,807	$8,535,340	$5,824,293
Wheat and Products	4,690,801	2,861,599	2,981,401
Rice	989,566	960,833	1,018,016
Upland Cotton	1,552,736	1,912,534	1,913,900
Tobacco	455,396	-38,586	-129,686
Dairy	2,084,695	1,786,611	1,555,626
Soybeans	711,358	1,494,775	155,494
Peanuts	12,217	68,668	26,958
Sugar	184,809	-216,932	---
Export Guarantee Program	148,985	570,468	663,246
Short-Term & Intermediate Export Credit	-20,444	-102,180	-57,709
Storage Facility	-318,026	-263,786	-104,920
Interest	1,434,519	1,541,694	1,318,293
CCC Operating Expenses	351,493	408,885	431,460
Change in Working Capital	-213,988	570,000	250,000
All Other	298,907	482,236	775,073
Subtotal, Support and Related	17,573,831	20,572,159	16,621,445
Wool	109,365	118,635	113,572
TOTAL Net Expenditures, CCC	17,683,196	20,690,794	16,735,017
Supplemental request for ASCS administrative costs (transfers from CCC)	---	+71,598	---
Export guarantee proposed legislation	---	---	-139,786
Sequestration under P.L. 99-177 (Gramm-Rudman)	---	-413,873	-409,253
Adjusted TOTAL Net Expenditures, CCC	17,683,196	20,348,519	16,185,978

NOTE: Under P.L. 99-177, a total of $18.9 billion in CCC outlays from the 1986 crops is subject to sequester. The reduction of $823 million in outlays specified by the sequester order will be achieved by making a 4.3% reduction from a recipient's entitlement for each type of loan and cash payment transaction as it occurs pertaining to each commodity for crop year 1986. This reduction will occur over the FY 1986 and FY 1987 period, but it is not possible at this time to estimate exactly how much of the reduction will occur in each fiscal year or how much of the reduction will occur in each expenditure category. For this reason, the FY 1986-87 "split" of these savings printed above should be considered highly tentative.

ADP ACTIVITIES

ADP in ASCS is integral to the agency's long-range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. During the past four years under the plan, research, analysis, and planning have been completed, and operational implementation is beginning. Extensive testing in seven pilot counties has demonstrated the feasibility and cost advantage of equipping all State and county offices with small computers capable of managing the record keeping and transaction processing needs of those offices. All offices in three States were equipped and operational concepts and implementation plans were validated. Nationwide automation of all State and county offices is currently underway and equipment installations will be completed by September 1986.

Through the departmental communications network, program information will flow in a timely manner to State offices and Washington, where it will reside in a data base accessible to program specialists. This data base will also contain foreign production, supply and demand information collected by the Foreign Agricultural Service. Thus agency and departmental policymakers will have ready access to the latest information, both foreign and domestic.

A contract is in effect for the development of new systems for managing government-owned grain and processed commodities.

In carrying out the overall long-range plan described above, CCC capital investments totaling $7,770,000 in fiscal year 1987 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan, which includes the joint ASCS-FAS data base. This project will be reassessed regularly at both the agency and department levels to ensure the efficiency of the system and compatibility with departmentwide ADP system policies.

CCC funding for hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarter and field offices, and for the establishment of a joint ASCS-FAS data base which includes information on local production of, and foreign demand for, agricultural commodities are estimated at $3,817,000. Enhancements for digitizers and special purpose ADP furniture for State and county offices are estimated at $1,050,000. The remaining $2,903,000 is for the purchase of hardware to complete the marketing card automation project, telephones and various peripherals needed to complete automation for Washington and field offices.

JUSTIFICATION OF INCREASES AND DECREASES
Realized Losses, Fiscal Years 1984 and 1985

Item	Fiscal Year 1984	Increases and Decreases	Fiscal Year 1985
Support and related programs:			
Commodity inventory operations:			
Losses or gain (-) on sales....	$594,158,370	+33,649,593 (1)	$627,807,963
Domestic donations............	1,338,051,358	+582,098,382 (2)	1,920,149,740
Export donations..............	260,566,917	+282,981,479 (3)	543,548,396
Storage and handling expense...	397,969,288	-3,779,446 (4)	394,189,842
Transportation expense.........	109,816,291	+24,102,163 (5)	133,918,454
Total commodity inventory operations................	2,700,562,224	+919,052,171	3,619,614,395
Loans written off................	6,447,696	-2,804,233 (6)	3,643,463
Producer storage payments.........	278,204,291	+28,938,487 (7)	307,142,778
Disaster payments:			
Feed grains.....................	53,471	-85,748 (8)	-32,277
Wheat...........................	589,897	-563,485 (8)	26,412
Rice............................	---	--- (8)	---
Upland cotton...................	477,970	-458,092 (8)	19,878
Total disaster payments......	1,121,338	-1,107,325	14,013
Deficiency payments:			
Corn............................	1,400,043,527	+1,299,628,493 (9)	2,699,672,020
Grain sorghum...................	150,049,695	+82,568,685 (9)	232,618,380
Barley..........................	72,667,079	+57,594,493 (9)	130,261,572
Oats............................	4,954,578	+5,118,159 (9)	10,072,737
Wheat...........................	1,188,662,371	+240,810,119 (9)	1,429,472,490
Rice............................	337,718,120	+72,279,472 (9)	409,997,592
Upland cotton...................	484,465,511	+349,819,745 (9)	834,285,256
Extra long staple cotton.......	---	+1,987,056 (9)	1,987,056
Total deficiency payments....	3,638,560,881	+2,109,806,222	5,748,367,103
Diversion payments:			
Corn............................	51,411,943	-49,135,731 (10)	2,276,212
Grain sorghum...................	-12,165,295	+12,796,200 (10)	630,905
Barley..........................	4,261,065	-4,224,347 (10)	36,718
Oats............................	-4,476,398	+4,486,136 (10)	9,738
Wheat...........................	538,589,024	+94,896,813 (10)	633,485,837
Rice............................	-2,063,206	+98,180,771 (10)	96,117,565
Upland cotton...................	2,139,298	+172,746,316 (10)	174,885,614
Dairy...........................	335,551,608	+295,110,074 (10)	630,661,682
Total diversion payments.....	913,248,039	+624,856,232	1,538,104,271
Total all payments.........	4,552,930,258	+2,733,555,129	7,286,485,387
Export enhancement program (Wheat)	---	+21,465,830 (11)	21,465,830
Payment-in-Kind program (PIK):			
Storage and handling:			
Corn............................	101,514,246	-101,414,744 (12)	99,502
Grain sorghum...................	3,372,448	-3,612,944 (12)	-240,496
Wheat...........................	10,561,577	-14,139,291 (12)	-3,577,714
Rice............................	12,247,122	-12,221,585 (12)	25,537
Upland cotton...................	1,026	-620 (12)	406
Total storage and handling...	127,696,419	-131,389,184	-3,692,765
Warehouse service fees:			
Corn............................	136,144	-134,351 (13)	1,793
Grain sorghum...................	131,573	-130,270 (13)	1,303
Wheat...........................	97,850	-89,238 (13)	8,612
Rice............................	2,271	-2,271 (13)	---
Upland cotton...................	15	+750 (13)	765
Total warehouse service fees...............	367,853	-355,380	12,473
Liquidated damages:			
Corn............................	-1,336,600	+1,187,824 (14)	-148,776
Grain sorghum...................	-235,333	+227,758 (14)	-7,575
Wheat...........................	-676,273	+475,601 (14)	-200,672
Rice............................	-28,657	+20,390 (14)	-8,267
Upland cotton...................	-165,546	+152,840 (14)	-12,706
Total liquidated damages.....	-2,442,409	+2,064,413	-377,996

JUSTIFICATION OF INCREASES AND DECREASES (continued)

Realized Losses, Fiscal Years 1984 and 1985

Item	Fiscal Year 1984	Increases and Decreases	Fiscal Year 1985
PIK Program (Continued):			
PIK Entitlements:			
Corn	-$253,018,003	+231,167,496 (15)	-21,850,507
Grain sorghum	-1,479,373	-19,377,714 (15)	-20,857,087
Wheat	343,013,062	-390,995,531 (15)	-47,982,469
Rice	1,828,696	+26,607,366 (15)	28,436,062
Upland cotton	86,015,305	-36,562,181 (15)	49,453,124
Total entitlements	176,359,687	-189,160,564	-12,800,877
Miscellaneous PIK expense	---	+22,080 (16)	22,080
Total PIK	301,981,550	-318,818,635	-16,837,085
Export market promotion program	1,881,687	+123,703 (17)	2,005,390
Transfers to APHIS for animal and plant disease eradication	66,700,000	-44,000,000 (18)	22,700,000
Milk marketing fee collection programs:			
Milk marketing fees (PL 97-253)	-340,040,352	+339,356,157 (19)	-684,195
Milk marketing fees (PL 98-180)	-492,406,648	+118,451,707 (19)	-373,954,941
Total milk marketing fees	-832,447,000	+457,807,864	-374,639,136
Other program expense (net)	28,098,576	-838,098	27,260,478
Interest (net)	1,033,636,887	+617,441,442 (20)	1,651,078,329
Operating expenses (net)	380,367,473	+4,611,973 (21)	384,979,446
Total realized losses	8,518,363,642	+4,416,535,633	12,934,899,275

Minus (-) indicates gain or adjustment to prior year.

The above analysis of realized losses covers the difference between the actual 1984 and 1985 losses of the Corporation. There was previously a two-year lag between the year the loss was incurred and the year the appropriation was received to reimburse the CCC for its net realized losses. However, continuing high levels of CCC entitlements and related outlays have accelerated the reimbursement of realized losses to restore CCC's capital impairment. The fiscal year 1984 appropriation act (P.L. 98-151) of $9,673,636,000 restored the unreimbursed balance of fiscal year 1983 losses of $7,846,139,000 and $1,827,497,000 of estimated fiscal year 1984 losses. The fiscal year 1985 appropriation act (P.L. 98-473) provided $8,350,000,000. This was applied to the remaining balance of $6,690,867,000 in fiscal year 1984 losses and to $1,659,133,000 of anticipated fiscal year 1985 losses. The fiscal year 1985 urgent supplemental appropriation act (P.L. 99-71) restored an additional $1,000,000,000 in fiscal year 1985 losses and the fiscal year 1985 supplemental appropriation act (P.L. 99-88) restored an additional $2,935,790,000 in fiscal year 1985 losses. The fiscal year 1986 appropriation act (P.L. 99-190) of $9,140,069,000 restored the unreimbursed balance of fiscal year 1985 losses of $7,339,976,000 and $1,800,093,000 of anticipated fiscal year 1986 losses. P.L. 99-190 also included an additional $4,000,000,000 which was applied to another $4,000,000,000 of anticipated fiscal year 1986 losses.

Need for Change. A change is proposed to provide permanent, indefinite budget authority to reimburse the Corporation for net realized losses. This appropriation is for activities that have or will be accomplished with prior approval of the Congress. A current, definite appropriation is unnecessary since any adjustment to the reimbursement would have no effect on amounts already expended. Therefore, a permanent, indefinite appropriation is most suitable for this type of account.

Nature of Change.

Explanation of Increases or Decreases in Realized Losses, Fiscal Years 1984 and 1985

(1) An increase of $33,649,593 in losses on sales ($594,158,370 in 1984). This increase is a result of higher losses on the sale of rice, blended foods, butter, butter oil, and ELS cotton. The increase is largely offset by lower losses on the sale of wheat, corn, cheese and dried milk and a larger gain on the sale of bulgur.

(2) An increase of $582,098,382 in domestic donations ($1,338,051,358 in 1984). This increase primarily reflects increased donations of cheese, butter, dried milk, and rice under Section 416 for the Special Donations to Needy Families Program. Decreased donations of honey, mozzarella cheese and peanut products partially offset the decrease.

(3) An increase of $282,981,479 in export donations ($260,566,917 in 1984). Higher dairy product donations under Section 416 of the Agricultural Act of 1949 accounted for the increase. The combined volume of these overseas dairy donations was up 224 million pounds over the 1984 program.

(4) A decrease of $3,779,446 in storage and handling expense ($397,969,288 in 1984). Reduced inventories of corn, butter, cheese, soybeans and dried milk largely account for the decrease. Increased storage and handling costs for wheat, rice, grain sorghum and upland cotton partly offset the decrease.

(5) An increase of $24,102,163 in transportation expense ($109,816,291 in 1984). Increased collateral acquisitions of wheat, grain sorghum, and barley account for the increase. Reduced dispositions of corn, and decreased purchases of dairy products partly offset the increase.

(6) A decrease of $2,804,233 in loans written off ($6,447,696 in 1984). This decrease is due to fewer 1984 crop peanut loans being charged off in fiscal year 1985 as a result of a 66 million pound reduction in the national poundage quota as well as the purchase of a large quantity of loan peanuts for domestic edible use. Increased loan write-offs for 1981 and prior crop tobacco partially offset the decrease.

(7) An increase of $28,938,487 in producer storage payments ($278,204,291 in 1984). This increase is mainly due to an increase in the average quantity of corn and wheat in the grain reserve in fiscal year 1985 but was partly offset by a decrease in the average quantity of grain sorghum in the reserve. Producers receive these payments in advance and the loss in each year reflects only that part of the advance payments actually earned.

(8) A decrease of $1,107,325 in total disaster payments ($1,121,338 in 1984). Fiscal year 1985 activity reflects prior year adjustments for the 1983 and earlier crops.

(9) An increase of $2,109,806,222 in total deficiency payments ($3,638,560,881 in 1984). The increase is mainly due to higher 1985 crop production of commodities and increased program participation. Consequently, lower market prices and higher deficiency payment rates for the 1985 crop, versus prior crops, were used to determine deficiency payment losses. In fiscal year 1985, $5,584,240,000 in 1985 crop estimated deficiency payments were recorded as a loss. This amount reflects the GAO requirement that estimated deficiency payments due to producers must be accrued as a loss in the fiscal year in which the deficiency payment liability is recognized; even though the actual cash disbursement may not take place until the following fiscal year. For the 1984 crops of corn, grain sorghum, upland cotton and rice, deficiency payments were required above the projected amounts accrued in fiscal year 1984. These additional amounts were expensed in fiscal year 1985, contributing to the larger loss amount. For extra long staple cotton, no 1984 crop deficiency payments were projected for fiscal year 1984. However, actual market prices required 1984 crop payments which were all expensed in fiscal year 1985. Adjustments to reflect actual 1984 crop payments for wheat and barley which were less than the estimated accruals in fiscal year 1984, combined with some prior year adjustments partly offset the increase.

(10) A net increase of $624,856,232 in corn, sorghum, barley, oats, wheat, cotton, rice and dairy diversion payments ($913,248,039 in 1984). The increase is primarily due to the paid diversion programs required for dairy and for the 1985 crops of wheat, rice and upland cotton, as compared to fiscal year 1984, in which diversion payments were required only for dairy and the 1984 wheat crop. The fiscal year 1985 amount includes $630,661,682 in dairy diversion payments and $923,000,000 in 1985 crop wheat, upland cotton, and rice diversion payments, of which $49,163,205 is the estimated accrual that will not be outlayed until fiscal year 1986. For corn, grain sorghum, barley and oats, the fiscal year 1985 amounts are associated with 1983 crop program activity, since no diversion programs were in effect for the 1984 and 1985 crops. Adjustments to reflect actual 1984 crop wheat payments, which were less than the estimated accrual in fiscal year 1984, and other prior year adjustments partially offset the increase.

(11) An increase of $21,465,830 for the wheat export enhancement program ($0 in 1984). In fiscal year 1985, the Secretary of Agriculture announced an export enhancement program of up to $2.0 billion worth of CCC-owned agricultural commodities. These commodities would be used as a bonus to U.S. exporters to expand export sales in those markets where unfair foreign trade practices are used. Only wheat, valued at $21,465,830, has been used for the program as of September 30, 1985.

(12) An decrease of $131,389,184 in PIK storage and handling expenses ($127,696,419 in 1984). To give producers marketing flexibility, CCC paid storage and handling costs from producers' payment-in-kind availability dates until redemption or delivery of the commodity, provided that the storage period not exceed five months. The net decrease in fiscal year 1985 reflects the expensing of most 1983 and 1984 crop PIK storage and handling costs in fiscal years 1983 and 1984.

(13) A net decrease of $355,380 in PIK warehouse services fees ($367,853 in 1984). This represents CCC storage and handling costs associated with PIK handler agreements and other miscellaneous warehouse expenses. The majority of these fees were paid in fiscal year 1983 in the early stage of the program. Smaller amounts were paid in fiscal years 1984 and 1985.

(14) A decrease (smaller gain) of $2,064,413 in PIK total liquidated damages ($2,442,409 in 1984). This represents CCC monetary penalties assessed producers who signed payment-in-kind participation contracts but subsequently failed to meet their contractual agreements. Most of these penalties were assessed in fiscal year 1984, with a smaller amount assessed in fiscal year 1985.

(15) A net decrease of $189,160,564 in PIK commodity entitlements ($176,359,687 in 1984). The overall decrease is due to adjustments to the fiscal years 1983 and 1984 accrued losses for the 1983 crops of wheat, corn, and grain sorghum and for the 1984 crop wheat to reflect actual PIK entitlement transfers to producers. In accordance with the GAO-required accounting change from a cash basis to an accrual basis, 1983 crop PIK entitlements for corn, grain sorghum, wheat, rice and upland cotton were recognized as a loss to the Corporation in fiscal year 1983, when the producer signed the PIK contract. Similarly, 1984 crop wheat PIK entitlements were accrued as a loss in fiscal year 1984. Adjustments to reflect additional 1983 crop PIK activity for upland cotton and rice above the fiscal year 1983 estimated accrued loss partly offset the overall decrease.

(16) An increase of $22,080 in PIK miscellaneous expense ($0 in 1984). This increase represents adjustment costs associated with the transfer of the PIK corn and wheat to the producers.

(17) An increase of $123,703 in Export Market Promotion Program costs ($1,881,687 in 1984). In fiscal year 1984, an overseas market promotion program was implemented to expand export sales of raisins and to counter foreign subsidization.

(18) A decrease of $44,000,000 in transfers to Animal and Plant Health Inspection Service (APHIS) ($66,700,000 in 1984). The 1985 transfers included funds for controlling citrus canker and grasshopper and gypsy moth infestation.

(19) A decrease (smaller gain) of $457,807,864 in milk marketing fees collected ($832,447,000 in 1984). The decrease reflects six months of operation of the collection program in fiscal year 1985 versus the full year operation in fiscal year 1984. Fiscal year 1985 collections represent collections of $684,195 authorized by the Omnibus Budget Reconciliation Act of 1982, P.L. 97-253, which was subsequently replaced by the Dairy and Tobacco Adjustment Act of 1983, P.L. 98-180, under which $373,954,941 was collected in FY 1985. Fees collected under the Omnibus Budget Reconciliation Act of 1982 were used to offset the cost of the dairy price support program. Collections under the Dairy and Tobacco Adjustment Act of 1983 were used to offset the cost of the dairy diversion program. The program was authorized through March 31, 1985.

(20) An increase of $617,441,442 in interest expense ($1,033,636,887 in 1984). This net increase is mainly attributable to an increase in outstanding Treasury borrowings of $5.2 billion for commodities and programs. Interest income of $417.1 million and lower interest rates (9.5 percent in 1985 versus 10.125 percent in 1984) partly offset the increase.

(21) An increase of $4,611,973 in operating expenses ($380,367,473 in 1984). This net increase reflects a decrease in the CCC fund transfers to the ASCS consolidated salaries and expenses account, more than offset by an increase in CCC expenditures for other authorized activities.

RECONCILIATION TO BUDGET AUTHORITY

The above analysis of realized losses covers the differences between the actual 1984 and 1985 losses of the Corporation, which have already been reimbursed.

The following table reconciles budget authority with appropriations:

	(thousands of dollars)	
	1986	1987
Appropriation (for realized losses).........	$21,090,069[a]	$16,808,806[b]
Portion applied to debt reduction...........	-21,090,069	-16,710,412
Portion applied to liquidate contract authority................................	---	-98,394
Adjusted Appropriation.....................	---	---
Adjustments:		
Authority to borrow.......................	+17,150,372	+15,397,031
Contract authority........................	+5,210,193	---
National Wool Act appropriation.	+109,365	+118,635
Budget Authority...........................	22,469,930	15,515,666

a/ Includes proposed supplemental of $7,950,000,000 to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

b/ Proposed to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

The following tables reflect actual and estimated losses by commodity and program for fiscal years 1984 through 1987. A table identifying payment-in-kind program losses is also provided.

Fiscal Year 1984 - Actual (millions of dollars):

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	$594.2	$47.9	$80.5	$10.4	-$1.9	$456.2	$1.1
Domestic donations..........	1,338.1	7.3	14.5	6.5	---	1,228.1	81.7
Export donations............	260.6	---	---	---	---	260.6	---
Storage and handling........	398.0	211.8	82.4	14.7	---	79.3	9.8
Transportation..............	109.8	14.9	15.2	.4	---	77.1	2.2
Deficiency, disaster, and diversion payments........	4,552.9	1,666.8	1,727.8	335.7	487.1	335.5	---
Loans written off...........	6.4	.6	.2	---	---	---	5.6
PIK entitlements............	176.4	-254.4	343.0	1.8	86.0	---	---
Other PIK costs.............	125.6 b/	103.5	10.0	12.2	-.1	---	---
Producer storage payments...	278.2	118.9	159.3	---	---	---	---
Other.......................	-735.8 c/	15.1	3.5	1.2	-1.0	-817.3	62.7
Total program costs.......	7,104.4	1,932.4	2,436.4	382.9	570.1	1,619.5	163.1
Nonprogram costs:							
Interest (net):							
Support and related.........	838.2						
Short-term and intermediate export credit sales........	78.7						
Export guarantees...........	116.7						
Operating expenses............	380.4						
Total nonprogram costs......	1,414.0						
Total realized losses...........	8,518.4						

a/ Other commodities and programs include soybeans, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, administrative equipment, APHIS transfers, CCC export guarantee program fees, ocean transportation for export donations, and raisin export market promotion program.

b/ Includes $127.7 million for storage and handling, $.4 million for warehouse service fees, and -$2.5 million for liquidated damages.

c/ Includes -$832.4 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the -$735.8 million shown.

(-) Denotes gain.

Fiscal Year 1985 - Actual (millions of dollars) :

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	$627.8	$28.3	$29.2	$53.6	-$.5	$454.4	$62.8
Domestic donations..........	1,920.2	7.8	31.0	22.6	---	1,789.8	69.0
Export donations............	543.5	---	---	---	---	543.5	---
Storage and handling........	394.2	134.9	149.5	37.0	3.8	61.8	7.2
Transportation..............	133.9	28.0	33.9	.9	---	67.4	3.7
Deficiency and diversion payments.................	7,286.5	3,075.5	2,063.0	506.1	1,009.2	630.7	2.0
Export enhancement..........	21.5	---	21.5	---	---	---	---
Loans written off...........	3.6	.5	.2	---	---	---	2.9
PIK entitlements............	-12.8	-42.7	-48.0	28.4	49.5	---	---
Other PIK costs.............	-4.0	-.3	-3.7	---	---	---	---
Producer storage payments...	307.1	134.7	172.4	---	---	---	---
Other.......................	-322.5 b/	-1.0	19.2	-.1	-.7	-375.0	35.1
Total program costs.......	10,899.0	3,365.7	2,468.2	648.5	1,061.3	3,172.6	182.7
Nonprogram costs:							
Interest (net):							
Support and related.........	1,462.1						
Short-term and intermediate export credit sales........	39.9						
Export guarantees...........	149.1						
Operating expenses............	384.8						
Total nonprogram costs......	2,035.9						
Total realized losses...........	12,934.9						

a/ Other commodities and programs include rye, soybeans, dry edible beans and peas, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, administrative equipment, export guarantee program fees, APHIS transfers, ocean transportation for export donations, and the export market promotion program.

b/ Includes -$374.6 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the -$322.5 million shown.

(-) Denotes gain.

Fiscal Year 1986 - Estimated (millions of dollars):

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	752.4	12.7	9.2	-9.0	---	667.7	71.8
Domestic donations..........	1,412.4	12.0	31.9	46.2	---	1,235.8	86.5
Export donations............	284.2	3.3	13.8	3.8	---	263.3	---
Storage and handling........	606.6	250.5	177.5	40.7	46.1	50.1	41.7
Transportation..............	163.3	43.3	48.8	1.3	---	67.8	2.1
Cash deficiency and diversion payments..................	10,726.6	6,248.2	2,990.0	484.1	1,003.0	---	1.3
PIK deficiency payments.....	719.2	445.4	221.1	52.7	---	---	---
PIK diversion payments......	675.4	476.5	198.9	---	---	---	---
Loan deficiency payments (cash and PIK)............	1,223.4	---	---	690.4	533.0	---	---
Export enhancement..........	667.1	113.8	493.5	42.8	---	---	17.0
Marketing certificates......	176.3	---	---	176.3	---	---	---
Conservation reserve payments	175.0	---	---	---	---	---	175.0
Dairy red meat purchase.....	100.0	---	---	---	---	100.0	---
Dairy whole herd buyout.....	250.0	---	---	---	---	250.0	---
Loans written off...........	75.7	---	---	---	---	---	75.7
Producer storage payments...	611.5	357.7	253.8	---	---	---	---
Other.......................	-174.8 b/	---	---	---	---	-235.0	60.2
Total program costs.......	18,444.3	7,963.4	4,438.5	1,529.3	1,582.1	2,399.7	531.3
Nonprogram costs:							
Interest (net):							
Support and related.........	1,132.4						
Short-term and intermediate export credit sales........	49.9						
Export guarantees...........	140.2						
Operating expenses............	408.9						
Total nonprogram costs......	1,731.4						
Total realized losses...........	20,175.7						

a/ Other commodities and programs include rye, soybeans, blended food products, honey, sugar, extra long staple cotton, peanuts and peanut products, vegetable oil products, administrative equipment, export guarantee program fees, ocean transportation for export donations, and the export market promotion programs.

b/ Includes -$235.0 million for dairy receipts/gains (from a [illegible]ment program) and partly offsetting losses for other programs netting to the -$174.8 million shown.

(-) Denotes gain.

Fiscal Year 1987 - Estimated (millions of dollars):

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	710.3	27.0	9.3	-5.9	---	625.3	54.6
Domestic donations..........	1,206.3	5.2	26.3	46.6	---	1,045.3	82.9
Export donations............	360.3	10.6	27.1	9.7	---	312.9	---
Storage and handling........	1,041.9	463.0	232.6	36.3	196.3	35.4	78.3
Transportation..............	152.5	57.9	35.5	1.9	---	56.4	.8
Cash deficiency and diversion payments..................	10,920.9	6,459.5	2,918.0	513.8	1,029.0	---	.6
PIK deficiency payments.....	737.1	455.5	233.5	48.1	---	---	---
Loan deficiency payments (cash and PIK)............	582.3	---	---	291.3	291.0	---	---
Export enhancement..........	783.0	129.2	575.6	60.7	---	---	17.5
Marketing certificates......	496.3	---	---	81.3	415.0	---	---
Conservation reserve payments	550.0	---	---	---	---	---	550.0
Dairy Red meat purchase.....	300.0	---	---	---	---	300.0	---
Dairy whole herd buyout.....	590.0	---	---	---	---	590.0	---
Loans written off...........	25.6	---	---	---	---	---	25.6
Marketing loans.............	635.9	---	---	38.9	537.6	---	59.4
Producer storage payments...	753.5	559.8	193.7	---	---	---	---
Other.......................	-355.6 b/	---	--	---	---	-401.0	45.4
Total program costs.......	19,490.3	8,167.7	4,251.6	1,122.7	2,468.9	2,564.3	915.1
Nonprogram costs:							
Interest (net):							
Support and related.........	1,409.1						
Short-term and intermediate export credit sales........	14.6						
Export guarantees...........	147.1						
Operating expenses............	431.5						
Total nonprogram costs......	2,002.3						
Total realized losses...........	21,492.6						

a/ Other commodities and programs include rye, soybeans, blended food products, flaxseed, honey, extra long staple cotton, peanuts and peanut products, vegetable oil products, administrative equipment, export guarantee program fees, and ocean transportation for export donations.

b/ Includes -$401.0 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the -$355.6 million shown.

(-) Denotes gain.

REALIZED LOSSES, FISCAL YEARS 1983, 1984 and 1985 RELATED TO THE PAYMENT-IN-KIND PROGRAM

(thousands of dollars)

Commodity	FY 1983	Fiscal Year 1984			Fiscal Year 1985			SUMMARY	
	1983 CROP	1983 CROP	1984 CROP	TOTAL	1983 CROP	1984 CROP	TOTAL	1983 CROP	1984 CROP
Storage and handling:									
Corn	$31	$101,514	---	$101,514	$100	---	$100	$101,645	---
Grain sorghum	26	3,372	---	3,372	-240	---	-240	3,158	---
Wheat	16,143	3,369	$7,193	10,562	-2,862	-$716	-3,578	16,650	$6,477
Rough rice	1,894	12,247	---	12,247	26	---	26	14,167	---
Upland cotton	---	1	---	1	---	---	---	1	---
Total, Storage and handling	18,094	120,503	7,193	127,696	-2,976	-716	-3,692	135,621	6,477
Warehouse service fees:									
Corn	924	136	---	136	2	---	2	1,062	---
Grain sorghum	664	132	---	132	1	---	1	797	---
Wheat	1,140	87	11	98	7	2	9	1,234	13
Rough rice	8	2	---	2	---	---	---	10	---
Upland cotton	---	---	---	---	1	---	1	1	---
Total, Warehouse service fees	2,736	357	11	368	11	2	13	3,104	13
Liquidated damages:									
Corn	-444	-1,337	---	-1,337	-149	---	-149	-1,930	---
Grain sorghum	-72	-235	---	-235	-8	---	-8	-315	---
Wheat	-616	-602	-74	-676	-161	-40	-201	-1,379	-114
Rough rice	-10	-29	---	-29	-8	---	-8	-47	---
Upland cotton	-20	-165	---	-165	-13	---	-13	-198	---
Total, Liquidated damages	-1,162	-2,368	-74	-2,442	-339	-40	-379	-3,869	-114
PIK Miscellaneous Expense:									
Corn	---	---	---	---	3	---	3	3	---
Wheat	---	---	---	---	15	4	19	15	4
Total, Miscellaneous expense	---	---	---	---	18	4	22	18	4
PIK Entitlements:									
Corn	5,371,362	-253,018	---	-253,018	-21,851	---	-21,851	5,096,493	---
Grain sorghum	521,408	-1,479	---	-1,479	-20,857	---	-20,857	499,072	---
Wheat	2,179,053	-31,287	374,300	343,013	-38,387	-9,596	-47,983	2,109,379	364,704
Rough rice	336,024	1,829	---	1,829	28,436	---	28,436	366,289	---
Upland cotton	996,438	86,015	---	86,015	49,454	---	49,454	1,131,907	---
Total Entitlements	9,404,285	-197,940	374,300	176,360	-3,205	-9,596	-12,801	9,203,140	364,704
TOTAL PIK REALIZED LOSSES	9,423,953	-79,448	381,430	301,982	-6,491	-10,346	-16,837	9,338,014	371,084

COMMODITY CREDIT CORPORATION

STATUS OF PROGRAM

Introduction

The Commodity Credit Corporation carries out operations on a nationwide basis involving many agricultural commodities. These actions have an economic impact on domestic and international markets. The Corporation makes loans on agricultural commodities and may barter agricultural commodities for materials, goods, services, and equipment. The purchases, sales, storage, handling, etc. of these commodities and materials involve many different trade practices. The Corporation endeavors to use normal trade facilities to the fullest practicable extent in its operations. Such facilities include commercial banks, growers organizations, brokers, exporters, cooperative associations, warehousemen, and others.

Although ASCS, through its personnel and facilities, administers support operations, the programs are authorized and financed by the Corporation.

The principal activities carried out by the Corporation involve:

1. Support and related activities
2. Commodity export activities
3. Storage activities
4. Supply and foreign purchase programs
5. Acquisition and disposal activities
6. Special activities

SUPPORT AND RELATED ACTIVITIES

Commodities Covered

ASCS administers support programs for wheat, corn, cotton (upland and extra long staple), peanuts, rice, tobacco, sugar beets and cane, dairy products, wool, mohair, barley, oats, grain sorghum, rye, soybeans, honey, and seed cotton.

Purpose of Loans

Support loans (regular and reserve) and purchases give farmers a ready means of promoting more orderly marketing, particularly in periods when bountiful harvests threaten to push prices of farm commodities down to unprofitable levels. These inventories are, in turn, released into the marketplace as needed to stabilize supplies and prices.

Technique for Administering Support Operations

Support is achieved through loans, purchases, and payments for selected commodities at announced or guaranteed levels. The Agriculture and Food Act of 1981 continued the target price and loan rate system, providing income support and price protection to farmers. Income to growers is protected through an established target price mechanism for the major commodities: feed grains, rice, wheat, and cotton. If the average market price for the stated period drops below the target level, a deficiency payment is made to eligible producers equal to the difference between the target price and the higher of the loan level or the average market price. The Omnibus Budget Reconciliation Act of 1982 required advance deficiency payments for the 1983 crops but made them discretionary for the 1984 and 1985 crops. No advance deficiency payments were in effect for the 1984 crops, but they were in effect for the 1985 crops of wheat, feed grains, upland cotton and rice. In fiscal year 1985, $6,301.7 million in total deficiency payments were made. Of this amount,

$3,948.1 million was for 1984 crops and $2,597.2 million was for 1985 crops. In fiscal year 1985, 676,697 farms received 1984 crop deficiency payments.

Beginning with the 1982 crops, disaster payments are authorized only for wheat, feed grain, upland cotton, and rice producers for whom Federal crop insurance is not available and who are also prevented from harvesting a designated percentage of their normal production because of natural disaster. However, the Secretary may authorize disaster payments if losses create an economic emergency too serious to be relieved by crop insurance or other Federal assistance.

Eligibility for support loans, purchases, and payments is conditional on compliance with program requirements for the particular commodity, including set-aside or acreage reduction and land diversion provisions, if in effect. Support loans to producers are "nonrecourse." With this type of loan, producers are guaranteed at least the support price for the commodity they have put up as collateral. If market prices are above support levels, producers can pay off their loans and market their commodity. If market prices fail to rise above support levels, producers can deliver the commodity to the Corporation and discharge their obligations in full.

CCC may make recourse loans to producers for on-farm storage facilities. However, the CCC Charter Act, as amended, mandates that facility loans be available in areas where the Secretary determines there is a shortage of farm storage. These loans are carried in the accounts at the unpaid principal balance and are secured by chattel or real estate mortgages.

Seed cotton loans are made on a recourse basis during cotton ginning operations. For most commodities, loans are made directly to producers on the unprocessed commodity through ASCS county offices. Amounts of some grains are also purchased from producers. Milk prices are supported through purchases of processed dairy products. Support on tobacco and peanuts is carried out through loans to producer associations that, in turn, make support available to producers. Loans may also be made available through cooperative marketing associations for cotton and grains instead of through ASCS county offices.

In order to more effectively recover the cost of money to CCC, a variable interest rate is charged by CCC on commodity and storage facility loans. The initial interest charged to producers by CCC is at the rate charged CCC by the U.S. Treasury during the month the loan is disbursed. The average CCC loan interest rate in fiscal year 1985 was 9.5 percent. In fiscal year 1986, the monthly interest rate was 8.0 percent in October, 8.0 percent in November, and 7.875 percent in December.

Loan and Purchase Volume - Fiscal Year 1985

Dollar volume of support extended through loans in fiscal year 1985 totaled $10,186.0 million with acquisitions of commodities under loan amounting to $1,637.6 million. Purchases of dairy products, purchases of products of wheat, corn, oats, peanuts, and vegetable oils for donations, and purchases of grains and soybeans on which loans are also made totaled $2,616.1 million. $1,819.3 million of this amount was for dairy products. $248.4 million of total purchases was for PIK entitlements and bid compensation transferred from the loan account. These PIK purchases reflect an expenditure for inventory transactions and are fully offset as loan repayments.

Because of the large participation in PIK, the Department did not have sufficient CCC stocks of wheat, corn, grain sorghum, and upland cotton available to pay producers who did not have outstanding loans. As a result, the Department had to purchase additional quantities of these commodities. It purchased these additional quantities at a premium through a competitive bid process from producers who had commodities under CCC loan that were not being used for PIK entitlements. The bid compensation reflects the premium the Department paid as an incentive to the producer to allow CCC to acquire the producer's commodity.

Loan availability varies by commodity. For the major commodities, the loan availability period is as follows:

a. Wheat, rice, barley, oats, and rye - from time of harvest through March 31
b. Corn, sorghum, cotton, and soybeans - from time of harvest through May 31
c. Peanuts:
   Warehouse Stored - from time of harvest through January 31
   Farm-Stored Quota - from time of harvest through March 31
   Farm-Stored Additional - from time of harvest through January 31

Set-Aside, Acreage Reduction, and Diversion Programs

The Agricultural Act of 1949, as amended, authorizes the Secretary to conduct acreage reduction programs for the 1982 through 1985 crops of upland cotton and rice, and for the 1984 and subsequent crops of extra long staple (ELS) cotton. In addition, the Secretary is authorized to implement a set-aside or acreage reduction program for the 1982 through 1985 crops of wheat and feed grains. The Omnibus Budget Reconciliation Act of 1982 required an acreage reduction program for the 1983 crops of wheat and rice, and either a set-aside or an acreage reduction program for the 1983 crop of feed grains. No set-aside programs were in effect for the 1983 and 1984 crops, and none are in effect for the 1985 crops.

The Agricultural Programs Adjustment Act of 1984 requires that the Secretary conduct an acreage reduction program for the 1984 and 1985 crops of wheat. The Secretary is also required to implement an acreage reduction program for the 1985 crop of rice if estimated ending stocks exceed a specified level. For the 1984 crops, acreage reduction programs in effect were 10 percent for feed grains and ELS cotton, 20 percent for wheat, and 25 percent for rice and upland cotton. Acreage reduction programs in effect for the 1985 crops are 10 percent for feed grains and ELS cotton, and 20 percent for wheat, rice, and upland cotton.

The Secretary is also authorized to make land diversion payments to assist in adjusting the acreage of commodities to desirable goals. Under the Agricultural Act of 1949, as amended, land diversion payments may be made to producers of the 1982 through 1985 crops of wheat, feed grains, upland cotton and rice, and to producers of the 1984 and subsequent crops of ELS cotton, who devote acreages of cropland to approved conservation uses in addition to any acreage placed in an acreage reduction or set-aside program. For the 1984 and 1985 crops of wheat, the Agricultural Programs Adjustment Act of 1984 requires that the Secretary implement a land diversion program. The Secretary is also required to implement a land diversion program for the 1985 crops of feed grains, upland cotton, and rice if estimated ending stocks of these commodities exceed specified levels. No 1984 crop land diversion program was in effect except for the required 10 percent land diversion program for wheat. For the 1985 crops, the land diversion programs are 10 percent for wheat and upland cotton and 15 percent for rice. In fiscal year 1985, $1,525.2 million in total diversion payments were made. Of this amount, $18.9 million was for the 1984 wheat crop, $873.8 million was for the 1985 wheat, upland cotton and rice crops, and $630.7 million was for the dairy diversion program. A total of 321,085 farms received a total of $507.8 million in 1984 crop wheat diversion payments in fiscal years 1984 and 1985.

Payment-In-Kind (PIK) Program

In accordance with the Agricultural Act of 1949, as amended, and the Commodity Credit Corporation Charter Act, the Secretary established a payment-in-kind program for the 1983 crops of wheat, corn, grain sorghum, rice, and upland cotton. Under the PIK program, participants in the acreage reduction program and the paid land diversion program could idle an additional portion of their base acreage for conservation use. In return, participants received in-kind payments on their PIK acres equal to a percentage of their farm program yield. The 1983 in-kind payment for corn, grain sorghum, rice and upland cotton was 80 percent of the farm's program yield. For wheat it was 95 percent. In-kind payments were made from CCC stocks, regular price support loans, or farmer-held reserve loans. For the 1984 crops, only wheat was authorized for payment-in-kind, with payment equal to 85 percent of the farm program yield. 1984 crop wheat in-kind payments were made from regular price support loans and farmer-held reserve loans. No payment-in-kind program was authorized for the 1985 crops.

CCC is required by GAO to follow Generally Accepted Accounting Principles and to accrue the loss for the PIK commodities due to producers. Under this procedure, the 1983 crop PIK entitlements were recognized as a loss to the Corporation in the year the obligation was incurred, i.e., based on the date the producer signed the PIK contract. Therefore, 1983 crop PIK contract entitlements not received by September were accrued on September 30 in fiscal year 1983, even though title to the commodity did not pass from CCC to the producer until fiscal year 1984. Similarly, 1984 crop PIK contract entitlements not received by September were accrued on September 30 in fiscal year 1984. The actual fiscal year 1983 and fiscal year 1984 CCC realized losses for the 1983 and 1984 PIK programs were as follows:

Realized Losses for PIK Entitlements

	1983 Crop Program		1984 Crop Program	
Commodity	Quantity (thousands)	Dollars (thousands)	Quantity (thousands)	Dollars (thousands)
Corn (bu).................	1,753,414	$5,096,493	--	--
Grain Sorghum (bu).........	170,564	499,072	--	--
Wheat (bu)................	538,923	2,109,379	97,424	$364,704
Rice (cwt)................	44,772	366,289	--	--
Upland Cotton (bales)......	4,178	1,131,907	--	--
Total.....................	xxxxx	9,203,140	xxxxx	364,704

Grain Reserves

A farmer-held food grain reserve program for wheat and rice, providing for three-year extended loans to producers, was announced in April 1977, and was later expanded to include feed grains. Under the program, producers receive annual storage payments. Program provisions also allow the Secretary to establish when interest is charged. When the market price reaches the trigger (release) level, storage payments cease after the second consecutive release announcement and producers are permitted to repay their loans. The Agriculture and Food Act of 1981 requires that a reserve program be made available for wheat and feed grains beginning with the 1982 crops. The 1982 crops of feed grains and wheat were authorized immediate entry into the reserve. Delayed entry of feed grains and wheat is in effect for the 1983 through 1985 crops. Interest is waived on the loans after the first year. Mature grain reserve loans may be renewed for an additional year under a new Special Producer Storage Loan Program. Producers receive annual advance storage payments at the same rates currently earned under the reserve program and may repay the loan and unearned storage at any time during the one-year period. Interest will accrue during the new loan period at the rate applicable to price support loans on the effective date of the new loan.

Commodities in the farmer-held grain reserve as of December 11, 1985, are as follows:

Crop	Bushels (millions)	Metric Tons (millions)
Corn	595.2	15.1
Grain Sorghum	126.2	3.2
Barley	103.6	2.3
Oats	3.0	*
Subtotal	828.0	20.6
Wheat	652.5	17.8
Total	1,480.5	38.4

*Less than 50,000 metric tons.

The above quantities include, 11.1 million bushels of corn, 3.9 million bushels of grain sorghum, 14.7 million bushels of barley, .6 million bushels of oats, and 56.3 million bushels of wheat in the Special Producer Storage Loan Program.

A food security wheat reserve of 147 million bushels was established on January 16, 1981, under the provisions of the Agricultural Act of 1980. Wheat released from the reserve may be used only to meet urgent humanitarian food needs in developing countries and wheat shall be made available to developing countries under Title II of Public Law 480. CCC shall be reimbursed at the lower of actual costs incurred or the export market price of wheat at the time of release. In fiscal year 1985 the President released 300,000 metric tons of wheat, and commodity requests were processed to provide emergency food assistance to three African nations. The 300,000 metric tons of wheat used has been replenished from CCC inventory.

Dairy Program

On November 29, 1983, the Dairy and Tobacco Adjustment Act of 1983 was enacted. The Act required that for milk marketed from December 1, 1983, through March 31, 1985, USDA must deduct 50 cents per hundredweight from producers. This nonrefundable deduction replaced the two 50-cent deductions, which were in effect for milk marketed through November 30, 1983. Under the Act, CCC collected $492.4 million in fees during fiscal year 1984 and $374.0 million during fiscal year 1985.

Under provisions of the 1983 Act, the support price was reduced from $13.10 per hundredweight to $12.60 effective December 1, 1983. The $12.60 support price remained in effect until April 1, 1985, when the Secretary of Agriculture reduced the support price from $12.60 to $12.10 per hundredweight. The support price reduction was authorized if estimates of CCC purchases for the next twelve-month period were in excess of six billion pounds milk equivalent. On July 1, 1985, the Secretary reduced the support price from $12.10 to $11.60 per hundredweight since estimates of CCC purchases for the next twelve-month period were in excess of five billion pounds of milk equivalent.

The law also provided for a milk diversion program effective for the fifteen-month period beginning January 1, 1984, and ending March 31, 1985. Under this program, a milk producer who complied with a contract entered into with CCC to reduce milk production by 5 to 30 percent of the producer's established milk base would receive $10 per hundredweight for the milk not produced. A total of $335.5 million in diversion payments was made to milk producers during fiscal year 1984 covering two quarterly payments, and a total of $630.7 million was made during fiscal year 1985 covering three quarterly payments, for a two-year total of $966.2 million.

On October 1, 1985, the current milk price support program was extended through November 15, 1985, by the enactment of special legislation (P.L. 99-114), and was subsequently extended through December 31, 1985 by P.L. 99-182. Without these extensions, the program would have reverted to permanent law.

Sugar Program

The Agriculture and Food Act of 1981 requires a sugar price support loan program for the 1982 through 1985 crops, effective October 1, 1982. Under this program, price support is available to producers by means of 6-month nonrecourse loans to eligible processors. The level of support for domestically grown raw cane sugar is 17.5 cents per pound for the 1983 crop, 17.75 cents per pound for the 1984 crop, and 18 cents per pound for the 1985 crop. Sugarbeets are supported at a level that is fair and reasonable in relation to the level of loans for sugarcane; the price support level for refined sugarbeets is 20.86 cents per pound for the 1983 crop, 20.76 cents per pound for the 1984 crop, and 21.06 cents per pound for the 1985 crop.

Wool and Mohair Program

Payments made during fiscal year 1985 on 1984 wool marketings totaled $92.3 million. Payments made on mohair marketings during fiscal year 1985 totaled $10.3 million. The program is discussed further under the National Wool Act elsewhere in these notes.

Table I below itemizes direct payments made to producers by fiscal year:

Table 1 - Payments to Producers, excluding PIK (millions of dollars)

Item	1979 Actual	1980 a/ Actual	1981 a/ Actual	1982 Actual	1983 Actual	1984 Actual	1985 Actual
Rice......................	$58.7	$1.4	$2.4	$21.6	$409.1	$113.8	650.0
Feed Grains..............	816.5	191.4	403.1	407.9	1,310.3	442.1	2,944.0
Wheat.....................	722.8	96.8	320.5	493.7	967.4	1,081.1	2,391.2
Cotton, Upland and ELS...	212.7	103.0	304.0	567.4	913.1	144.4	1,211.0
Sugar.....................	.6	25.4	--	--	--	--	--
Dairy.....................	--	--	--	--	--	335.6	630.7
Subtotal.............	1,811.3	418.0	1,030.0	1,490.6	3,599.9	2,117.0	7,826.9
Wool and Mohair..........	36.1	31.0	37.6	48.8	88.3	123.2	102.5
Total Payments.........	1,847.4	449.0	1,067.6	1,539.4	3,688.2	2,240.2	7,929.4

a/ Largely Disaster Payments.

Table II below itemizes a summary of support and related operations:

Table II - CCC Loan, Inventory, and Related Activities (millions of dollars)

Item	1983 Actual	1984 Actual	1985 Actual
Support and Related Activities:			
Loan Activity (including Storage Facilities):			
Loans Outstanding, Beginning of Year	$11,633.3	$15,083.9	$8,571.5
Loans Made	13,710.3	5,131.1	10,186.5
Loans Repaid	-5,468.6	-5,446.0	-4,458.1
Commodity Loans Repaid for PIK	-3,904.8	-5,134.9	-.2
Collateral Acquired	-859.2	-1,032.0	-1,637.6
Write-offs	-12.8	-6.4	-3.6
Transfers to Accounts Receivable	-14.3	-24.2	-27.6
Loans Outstanding, End of Year	15,083.9	8,571.5	12,630.9
Inventory Activity:			
Inventory, Beginning of Year	5,103.2	10,227.4	7,358.2
Commodity Purchases	3,097.7	2,436.4	2,615.9
Purchases for PIK	4,546.1	5,239.4	.2
Collateral Acquired	859.2	1,032.0	1,637.6
Loan Collateral Settlements	130.4	33.5	40.8
Processing, Packaging, etc.	86.2	131.2	129.0
Storage and Handling	(486.6)	(398.0)	(394.2)
Transportation	(92.1)	(109.8)	(133.9)
Other Transfers (net)	7.5	-28.3	-11.7
Commodity Cost of Sales	1,138.9	-1,560.2	-1,669.1
Cost of Sales for PIK	-1,061.5	-8,554.5	-716.3
Domestic Donations	-1,391.8	-1,338.1	-1,920.2
Export Donations	-10.7	-260.6	-543.5
Inventory, End of Year	10,227.4	7,358.2	6,920.9
Payments to Producers (gross) (excludes Wool)	3,599.9	2,117.0	7,826.9
Realized Loss	19,513.0	8,518.4	12,934.9
Investment in Agricultural Commodities	24,290.2	15,213.7	19,154.1

Exhibits 1 and 2 on the following pages depict the history of selected items on loan and inventory activities for fiscal years 1970 through 1985, and for fiscal years 1958 through 1985, respectively.

COMMODITY LOANS MADE DURING THE YEAR AND OUTSTANDING BALANCE AT THE END OF THE YEAR FISCAL YEARS 1970-1985

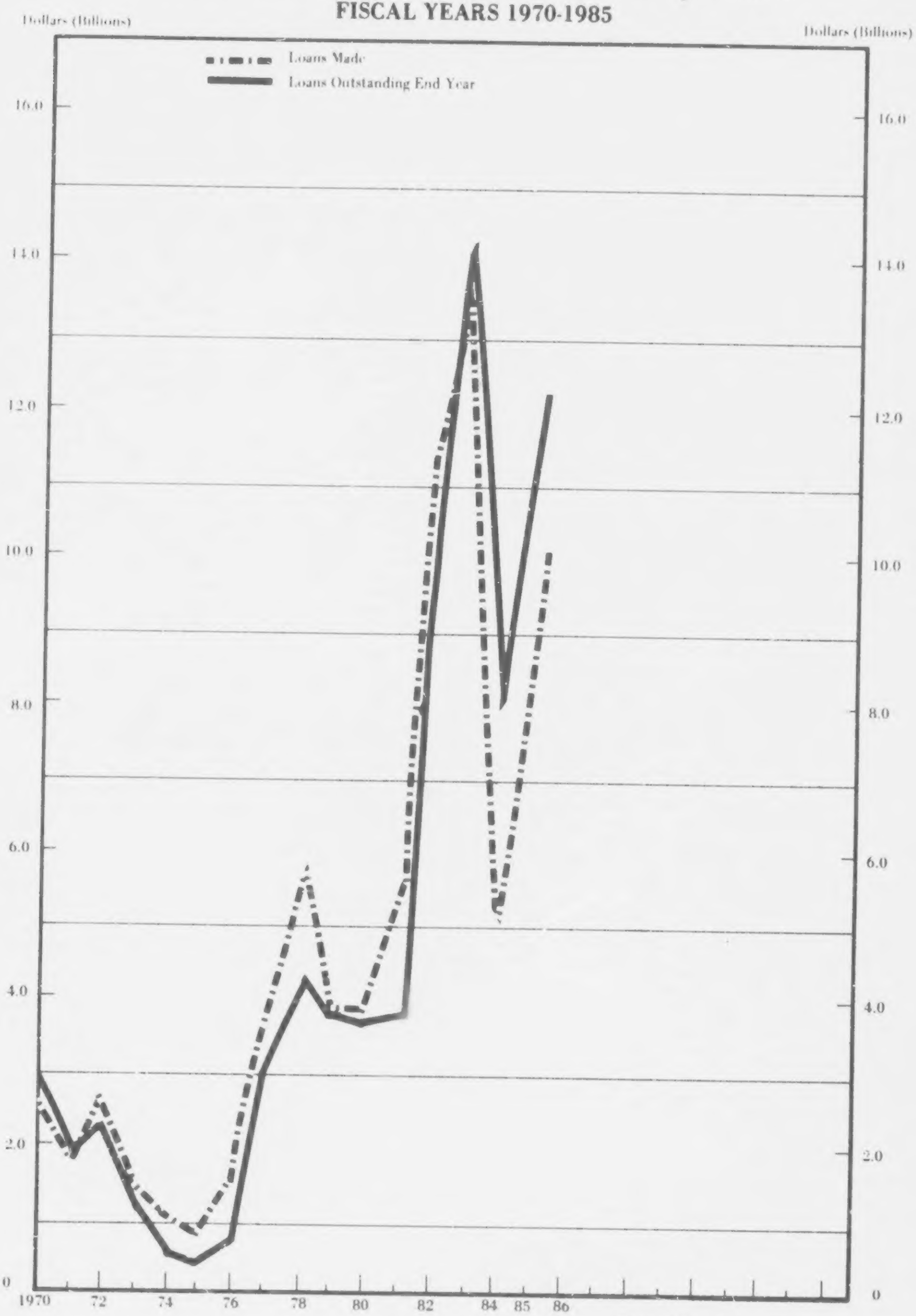


Exhibit 1

COMMODITY INVENTORIES OWNED BY CCC, ALL PROGRAMS

END OF FISCAL YEARS 1958-1985

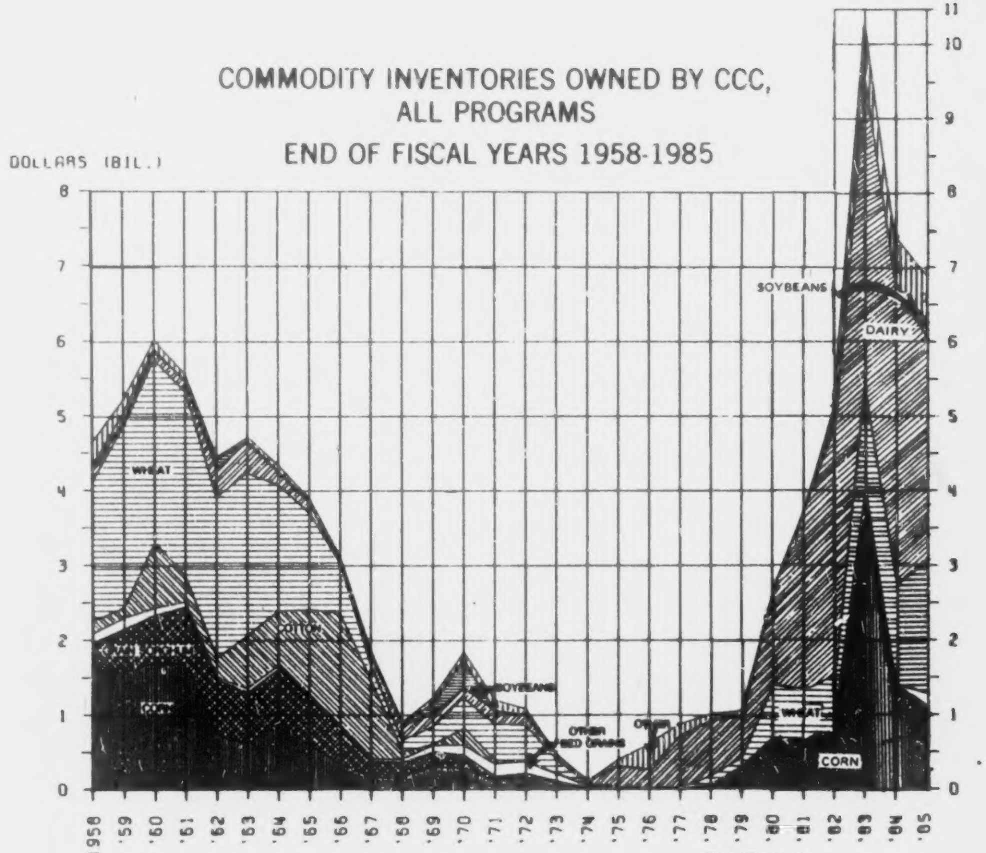


Exhibit 2

COMMODITY EXPORT ACTIVITIES

The Corporation promotes the export of agricultural commodities and products through sales, payments, direct loans, loan guarantees, and the conduct of other activities related to the exportation of commodities. During fiscal year 1982, CCC export activities consisted only of loan guarantees under the Export Credit Guarantee Program. The 1983 through 1985 programs included direct loan activity under the reinstituted short-term export credit sales program, as well as loan guarantees. There was no loan activity under the intermediate credit sales program.

Direct Loans

CCC may provide financing of commercial export sales of eligible U.S. agricultural commodities through short-term and intermediate credit sales programs. These programs are not intended to displace cash sales, but are designed to maintain or expand overseas markets.

The short-term export credit sales program (GSM-5) provides financing, on terms not to exceed three years, for the commercial sales of agricultural commodities from private stocks. Sales are made by U.S. exporters and require an assurance of payment from a U.S. or foreign bank. Repayments are made in U.S. dollars with interest at rates determined by the Corporation. These commercial transactions are financed under the Corporation's charter authority and section 4(a) of the Food for Peace Act, as amended. The Corporation may finance short-term export credit sales to the People's Republic of China.

CCC is also authorized under section 4(b) of the Food for Peace Act of 1966, as added by the Agricultural Trade Act of 1978, to finance commercial export sales of U.S. agricultural commodities out of CCC and private stocks on credit terms in excess of three years but not more than ten years. These intermediate credit sales programs are designed to develop, expand, or maintain a foreign market on a long-term basis or otherwise improve the capability of the importing nation to purchase and use U.S. agricultural commodities on a long-term basis. The two intermediate credit sales programs developed under the authority contained in section 4(b) are: (1) the Intermediate Credit Export Credit Program for breeding animals (GSM-201), instituted in 1979, which authorizes the financing of export sales of breeding animals, including cost of freight, from the United States to the importing countries, and (2) the Intermediate Credit Export Sales Program for Foreign Market Development Facilities (GSM-301), which was initiated in 1980. This program authorizes the use of local currency generated from the import and sale of U.S. agricultural commodities financed by CCC, for the establishment in the importing country of facilities to improve the handling, marketing, processing, storage, or distribution of imported commodities. The provisions of the cargo preference laws do not apply to the intermediate nor to the short-term export credit sales programs.

From the beginning of the short-term export credit sales program in 1956 through September 30, 1985, sales of agricultural commodities have amounted to approximately $9,649.2 million, with an additional $71.6 million in capitalized interest resulting from debt rescheduling. Sales of agricultural commodities in fiscal year 1985 amounted to $72.5 million of which $13.8 million was interest free blended credit, and $58.7 million was interest bearing non-blended direct credit. Principal repayments from inception through September 30, 1985, were $8,931.6 million, including $92.3 million in fiscal year 1985. Amounts outstanding under this program were $789.2 million as of September 30, 1985, including rescheduled credits of $271.6 million.

From the beginning of the intermediate credit sales program in 1979 through September 30, 1985, sales of agricultural commodities have amounted to approximately $18.5 million, with no activity occurring in fiscal year 1985. Principal repayments from inception through September 30, 1985, were $5.1 million, including $.6 million in fiscal year 1985. Amounts outstanding under this program were $13.4 million as of September 30, 1985.

Loan Guarantees

In 1979, CCC instituted the Non-Commercial Risk Assurance Program (GSM-101) under its charter authority. With this program, CCC guarantees, for a fee, payments due U.S. exporters under deferred payment sales contracts (up to 36 months) for defaults due to noncommercial risks. The risk to CCC extends from the date of export to the end of the deferred payment period covered in the export sales contract and covers only that portion of the payments agreed to in the assurance agreement. CCC has not guaranteed new loans under GSM-101 since fiscal year 1981.

CCC has also undertaken the Export Credit Guarantee Program (GSM-102) which is designed to protect U.S. exporters, or their assignees (U.S. financial institutions) from defaults in payments by foreign banks on export credit sales due to commercial as well as noncommercial risks. Operation of this program which CCC instituted under its charter authority in 1980, is based on criteria which will assure that it is used only where it is determined that it will develop new market opportunities and maintain and expand existing world markets for U.S. agricultural commodities. The program encourages U.S. financial institutions to provide financing to those areas where the institutions would be unwilling to provide financing in the absence of the CCC guarantees. Obligations incurred in fiscal year 1985 under the GSM-102 program were $2,673.6 million of which $2,618.4 million was for regular export guarantees and $55.2 million was for blended credit guarantees.

Blended Credit

In order to place American agricultural exports on a more competitive basis in international markets, the blended credit program was instituted in fiscal year 1983. By offering interest rates competitive with those offered by other suppliers, the program is designed to generate immediate sales that would not otherwise be made, and to lay the groundwork for continuing U.S. sales when economic conditions improve. The blended credit program provides for up to 3-year credit terms on a combination of interest-free direct credit under the Export Credit Sales Program (GSM-5) and credit guarantees under the Export Credit Guarantee Program (GSM-102). Under the GSM-102 portion of the program, the interest rates and financing terms are established between the U.S. exporter, U.S. financing institutions, and importing countries. The combination of direct and guarantee credits is blended on a sale-by-sale basis at a ratio of one part GSM-5 to four parts GSM-102. Obligations incurred in fiscal year 1985 under the blended credit program were $13.8 million in direct credit and $55.2 million in credit guarantees. The blended credit program was suspended on February 26, 1985, as a result of a U.S. District Court ruling requiring blended credit shipments to be subject to U.S. cargo preference laws.

Export Enhancement Program

An export enhancement program was initiated in 1985 in which up to $2 billion of CCC inventories is to be used through fiscal year 1988 for bonuses to U.S. exporters for sales of U.S. agricultural products. All sales are required to increase U.S. agricultural exports above what would have occurred in the absence of the program. The sales must also be targeted to specific markets which have been identified as having been taken over by competing nations through the use of unfair trade practices. Although no shipments under the export enhancement program occurred in fiscal year 1985, offers were accepted in September, thus obligating CCC to use $21.5 million in CCC-owned wheat as bonuses. The bonuses were for shipments to Egypt of 3.5 million hundredweight of wheat flour and 18.4 million bushels of wheat.

STORAGE ACTIVITIES

The objectives of the Corporation in carrying out its storage program are: (1) to help producers finance needed storage facilities on their own farms, and (2) to make maximum use of commercial facilities in the storage of CCC-owned commodities.

Commercial Storage

The Corporation has a Uniform Grain Storage Agreement and a Uniform Rice Storage Agreement through which it makes storage payments to commercial warehousemen storing grain and rice for CCC in country and terminal elevators. The Corporation has contracts with about 4,700 commercial warehousemen in 45 States for the storage of Government-owned and loan grain and rice. The agreements provide a variable offer storage rate covering about 6,750 grain and rice warehouse facilities operating under the agreements. The grain and rice facilities have a total capacity of about 7.7 billion bushels.

The Commodity Credit Corporation uses the offer rate system to determine storage and handling rates. Under the offer rate system, warehousemen offer rates at which they will store and handle CCC-owned or loan grain. Each warehouseman has to warrant that the rate offered CCC does not exceed the rate charged other customers for the same services. However, producers may be charged a lower rate for grain used as collateral for a CCC loan. The rates remain in effect unless superseded at a subsequent annual renewal date of the agreement. Also, the rates may be lowered by warehousemen during the contract year. This same system is used for cotton warehousemen under contract with CCC.

The Corporation also has storage contracts with commercial warehouses for other commodities, principally dairy products. Rates are negotiated with individual warehousemen. Total storage and handling charges in fiscal year 1985 were $394.2 million. Related transportation costs were $133.9 million.

In accordance with the Omnibus Budget Reconciliation Act of 1981, user fees are charged for warehouse examination services of all warehouses (except cotton) licensed under the United States Warehouse Act (USWA). Prior to May 13, 1984, CCC, as a user, paid the Agricultural Marketing Service (AMS) for all or part of the examinations of warehouses which have grain, rice, cotton, processed commodities, honey, seed, and bulk oil storage contracts with CCC. With the transfer of the warehouse examination function from AMS to ASCS under Secretary's Memorandum 1020-15, effective May 13, 1984, CCC continues to require these warehouse examination services, except that CCC now pays ASCS for these services. With the exception of grain warehousemen located in cooperative agreement states, grain and rice warehouses not licensed under the United States Warehouse Act reimburse CCC 50 percent of the established fee through CCC's assessment of contract fees. In cooperative agreement states, warehousemen not licensed under the USWA are exempt from paying user or contract fees to CCC. Net costs to CCC for warehouse inspections were $4.2 million in fiscal year 1985.

Farm Facility Loans

Under the farm facility loan program, farmers can borrow money from CCC to build and remodel on-farm grain storage facilities. The program has made it possible for more farmers to hold their crops on their own farms. A total of 4.7 billion bushels of storage capacity has been added to on-farm storage since

1949, with 50 percent of this added just since the beginning of 1977. The 84 loans made for farm storage facilities and equipment during 1985 totaled $559 thousand for a capacity of .8 million bushels. This activity reflects adjustments of prior year loan activity.

SUPPLY AND FOREIGN PURCHASE

The Corporation is authorized to procure agricultural commodities in the U.S. and abroad for U.S. and foreign governmental agencies and entities, pursuant to sections 5(b) and (c) of its charter act, and section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9).

ACQUISITION

The Corporation acquires stocks of various farm products as a result of its support activities. Such acquisitions result from purchases from producers and processors as noted earlier, and collateral acquisitions arising from loan operations. The inventory is substantial. Its acquisition-cost value on September 30, 1985, was $6,920.9 million.

DISPOSAL

Authorities

The following authorities provide the basis for disposition of inventories:

1. Section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427).
2. Agricultural Trade Development and Assistance Act of 1954, Public Law 480, as amended (7 U.S.C. 1701-1715, 1721-1726, 1727-1727f, 1731-1736g).
3. Barter Program, Sec. 310, Title III, P.L. 480, as amended (7 U.S.C. 1727g); Sec. 206 of the Agricultural Act of 1956, as amended (7 U.S.C. 1856(a), and Sec. 4(h) of the CCC Charter Act (15 U.S.C. 714b(h)).
4. Grain for Migratory Waterfowl (7 U.S.C. 442-445) and Resident Game Birds (7 U.S.C. 447-449).
5. Disaster Livestock Feed Program (P.L. 86-299 and 88-585) (7 U.S.C. 1427, 1427 note).
6. Donations - Sec. 202 and 416 of the Agricultural Act of 1949, as amended (7 U.S.C. 1446a, 1431); Sec. 210 of the Agricultural Act of 1956 (7 U.S.C. 1859), Sec. 505 of the Agricultural Act of 1958 (7 U.S.C. 1431a); Sec. 202-204 of the Temporary Emergency Food Assistance Act of 1983, as amended (P.L. 98-8--7 U.S.C. 612c note); and Sec. 202, et seq. of the Federal Supplemental Compensation Act of 1982, (P.L. 98-92--7 U.S.C. 612c note).
7. Sec. 508 of the Rural Development Act of 1972, as amended (7 U.S.C. 2669).
8. Sec. 813 of the Agricultural Act of 1970, as amended (7 U.S.C. 1427a).
9. Exports - Section 5, CCC Charter Act, as amended (15 U.S.C. 714-714p).
10. Section 32 of P.L. 74-320, as amended (7 U.S.C. 612c, 1424).
11. Sec. 203 of the Agricultural Act of 1956 (7 U.S.C. 1853).
12. Sec. 402 of the Mutual Security Act of 1954, as amended (22 U.S.C. 1922).
13. Sec. 110 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445e).
14. Sec. 4 of the Food for Peace Act of 1966, as amended by Sec. 101 of the Agricultural Trade Act of 1978 (7 U.S.C 1707a).
15. Sec. 302 of the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1).
16. Emergency Feed Assistance Program - Sec. 303 of the Dairy and Tobacco Adjustment Act of 1983 (P.L. 98-180--7 U.S.C. 1427 note).
17. Surplus Agricultural Commodities Disposal - Sec. 423 of the Agricultural Act of 1949, as amended (7 U.S.C. 1433b).

Summary of Dispositions

The Corporation has been able to move substantial quantities of farm commodities into useful channels, both at home and abroad. The value (at acquisition cost) of commodities removed from CCC inventories in fiscal year 1985 was $4,849.1 million, of which $716.3 million was for PIK entitlements and bid compensation. Sales proceeds totaled $1,757.6 million, of which $720.8 million was for PIK entitlements and bid compensation.

The following table shows the value of commodities disposed of during fiscal year 1985:

Type of Disposition	Fiscal Year 1985 Cost Value	Proceeds
	(thousands of dollars)	
Sales for Dollars:		
Domestic	985,466	910,512
Export	324,480	137,158
Public Law 480 (export):		
Title II	1,054,616	702,582
Donations:		
Domestic	1,920,150	--
Export	543,548	--
Transfers to Other Government Agencies:		
Domestic	196	197
Export	13,645	3,392
Inventory Adjustments and Other Recoveries:		
Domestic	6,968	3,722
Subtotal:		
Domestic dispositions	2,912,780	914,431
Export dispositions	1,936,289	843,132
TOTAL DISPOSITIONS	4,849,069	1,757,563

a/ Includes PIK dispositions.
b/ Proceeds represent the value of commodities charged to Title II and recorded as sales.

Explanation of Dispositions:

Domestic Commercial Sales

For unrestricted use - Commodities acquired under support can be sold for unrestricted use domestically only at prices which are not below minimums prescribed by law. There are no similar minimums on sales of nonstorables.

For restricted uses - Commodities may be sold for restricted uses or outlets at less than the minimums prescribed by law. These uses would include new or by-product uses, peanuts, and oilseeds sold for extraction of oil, commodities which have substantially deteriorated in quality, or which are in danger of loss, waste, etc.

Export Commercial Sales

For many years, the Corporation has had authority to sell commodities for export without complying with minimum prices applicable to domestic sales.

FINANCING

Borrowing Authority

CCC operations are financed by borrowings from the U.S. Treasury. Effective September 10, 1982, the Corporation has authority to borrow up to $25 billion. P.L. 95-279, approved May 15, 1978, first increased the statutory borrowing authority to $25 billion, to the extent provided in appropriation acts. Then, with the fiscal year 1982 supplemental appropriation act, P.L. 97-257, the availability was permanently increased to $25 billion. The Corporation reserves a sufficient amount of the borrowing authority to purchase at any time all loans and other obligations held by financial institutions, if any, under the Corporation's programs. As of September 30, 1985, the Corporation had in use $23,811.3 million of the $25,000.0 million authorized. This left a statutory borrowing authority available of $1,188.7 million as of September 30, 1985. During fiscal year 1985, the Corporation's borrowing from the Treasury totaled $18,988.6 million and during the same year $13,785.9 million was repaid to the Treasury from appropriations received and receipts from operations.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowing from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after September 30 of the fiscal year in which such losses are realized.

Reimbursement for Net Realized Losses

During fiscal year 1985, the Corporation received $12,285.8 million for reimbursement of the unrestored balance of fiscal year 1984 losses of $6,690.9 million and $5,594.9 million of anticipated fiscal year 1985 losses. As of September 30, 1985, unrestored realized losses were as follows:

Fiscal Year	(Millions)
1985 Losses..................................	$7,340.0

These losses are financed by the Corporation's borrowing authority until reimbursed by appropriation.

The fiscal year 1986 Continuing Resolutions included $13,140.1 million which reimbursed the Corporation for the balance of 1985 losses of $7,340.0 million and $5,800.1 million of anticipated 1986 losses.

EXPENSES

Expenses for acquisition, operation, maintenance, improvement, or disposition of property which the Corporation owns or in which it has an interest have been treated as program expenses. Such expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal or State-licensed inspectors, and work performed on a contract or fee basis by Agricultural Stabilization and Conservation County Committees. Capital funds of the Corporation are transferred to the appropriations "Salaries and Expenses, Agricultural Stabilization and Conservation Service", as indicated under that appropriation item for operating expenses relating to the Corporation's programs. Also, expenses of other Federal and private agencies whose services are used in the handling of Corporation property are treated as program expenses.

ASCS has introduced a major new ADP and communications system in support of CCC operations. Most data processing and accounting of CCC programs was previously performed in a large centralized facility in Kansas City, to which most county offices sent copies of transaction documents for recordation. Most work in county and State offices was performed manually. A cost benefit analysis showed that significant savings and increased productivity could be achieved by using automated equipment. A contract award for the automation equipment occured in fiscal year 1984; delivery and system implementation began in early 1985 and is targeted for completion in mid-1986. ADP equipment was installed initially in all State and county offices in three test States, and the operational concepts and implementation plans were validated prior to nationwide installation and implementation. This effort is integral to a broader Information Resources Management Plan. Another major facet of the plan is the establishment of a joint ASCS-FAS data base, which will include information on local production of, and foreign demand for, agricultural commodities. Equipment purchases for these new systems represents a capital investment under the statutory authority of the Commodity Credit Corporation Charter Act.

National Wool Act

Appropriation Act, 1986	$109,365,000
Budget Estimate, 1987	118,635,000
Increase in Appropriation	+9,270,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1986 Estimated (1984 Calendar Year)	Increase or Decrease	1987 Estimated (1985 Calendar Year)
Total duties collected in the applicable calendar year	$402,269,431	+$4,999,569	$407,269,000
70 percent of duties collected, representing maximum available for reimbursement to CCC	281,588,602	+3,499,398	285,088,000
Appropriation or estimate to reimburse CCC	109,365,000	+9,270,000	118,635,000

The 1986 appropriation covers reimbursement for fiscal year 1985 expenditures relating to marketings in the 1984 calendar year. The 1987 appropriation estimate covers fiscal year 1986 estimated expenditures relating to marketings in the 1985 calendar year.

PROJECT STATEMENT
(On basis of appropriation)

Item	1985 Actual	1986 Estimated	1987 Increase	1987 Estimated
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act, available or estimate	$131,959,000	$109,365,000	(1) +$9,270,000	$118,635,000

EXPLANATION OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Food Security Act of 1985 to cover marketings through December 31, 1990.

Payments are made on marketings during each calendar year on shorn wool, unshorn lambs (to compensate producers for the wool on lambs) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support price and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of the actual price received by the producer is used as the payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payment (in thousands of dollars).

Item	Fiscal Year 1985 (1984 Marketing Year) Actual	Fiscal Year 1986 (1985 Marketing Year) Estimate	Fiscal Year 1987 (1986 Marketing Year) Estimate
Available for payments, 70 percent of duties collected:			
Cumulative from January 1, 1953......	$3,183,727	$3,468,815	$3,757,404
Cumulative payments to producers.....	1,536,660	1,649,660	1,757,660
Balance available, end of year........	1,647,067	1,819,155	1,999,744

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 percent of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $9,270,000 in the appropriation to reimburse the Commodity Credit Corporation.

Item of Change	1986 Estimate (Fiscal Year 1985 Expenditure)	Increase or Decrease	1987 Estimate (Fiscal Year 1986 Expenditure)
Payments to producers:			
Shorn wool..........	$76,728,000	+$7,972,000 (a)	$84,700,000
Unshorn lambs........	15,571,000	+929,000 (b)	16,500,000
Mohair...............	10,242,000	+1,558,000 (c)	11,800,000
Total payments.....	102,541,000	+10,459,000	113,000,000
Operating expenses.....	2,438,000	-370,000 (d)	2,068,000
Interest expenses......	4,386,000	-819,000 (e)	3,567,000
Total.............	109,365,000	+9,270,000	118,635,000

Need for Change. Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated program costs for fiscal year 1986 are $118,635,000. Program costs are estimated to increase from fiscal year 1985 primarily due to the increase in the payment rates for shorn wool, unshorn lambs and mohair because of lower market prices received by producers.

Nature of Change.

(a) An increase of $7,972,000 in shorn wool payments ($76,728,000 in 1986 estimate). This increase is due to a projected decline in the season average price for shorn wool from 79.5 to 70.0 cents, plus an increase in the support price of wool from $1.65 to $1.73 per pound which is partially offset by a decrease in marketings. The net result of these changes increases the estimated payment rate for wool from 85.5 cents to $1.03 per pound.

(b) An increase of $929,000 in payments on unshorn lambs ($15,571,000 in 1986 estimate). This increase is due to the increase in the support price for wool as explained above, increasing the payment rate from $3.42 to $4.12 per hundredweight.

(c) An increase of $1,558,000 in payments on mohair ($10,242,000 in 1986 estimate). This increase is due to a projected decline in the season average price for mohair from $4.30 to $3.60 partially offset by a decrease in the support price from $5.17 to $4.65. These changes result in increased payments based on a higher payment rate applied to slightly lower marketings.

(d) A decrease of $370,000 in operating expenses ($2,438,000 in 1986 estimate). This decrease is based on the same estimated volume of workload and is due primarily to the impact of the Food Security Act of 1985, which has increased total county office workload but reduced man-hours available for individual programs.

(e) A decrease of $819,000 in interest expenses ($4,386,000 in 1986 estimate). This decrease is due primarily to a decrease in the interest rate charged the Corporation for Treasury borrowings, partly offset by increased program costs due to higher payments.

EXPENDITURES AND REIMBURSEMENTS TO CCC UNDER THE NATIONAL WOOL ACT

Costs

Expenditures under this program include payments to producers, plus operating and interest costs. The following table shows the basis of the estimates for fiscal years 1985, 1986, and 1987.

Item	Fiscal Year 1985 (1984 Marketing Year) Actual	Fiscal Year 1986 (1985 Marketing Year) Estimated	Fiscal Year 1987 (1986 Marketing Year) Estimated
Volume of Marketings:			
Pounds of shorn wool.......	89,536,000	82,300,000	78,400,000
Hundredweight, unshorn lambs...	4,907,000	4,000,000	3,500,000
Pounds of mohair...........	11,585,000	11,270,000	12,160,000
Incentive or Support Level:			
Price per lb of wool (cents)..................	165.0	173.0	179.0
Price per lb of mohair (cents)..................	516.9	464.7	480.6
Percent of parity - wool...	78.2	76.9	75.8
Percent of parity - mohair.	78.2	65.4	64.4
Payments under Act - Rates:			
Shorn wool, per lb (cents).	85.5	103.0	111.0
Unshorn lambs, cwt (cents).	342.0	412.0	440.0
Mohair, per lb (cents).....	86.9	104.7	45.6
Amount of Payments:			
Shorn wool.................	$76,728,000	$84,700,000	$87,000,000
Unshorn lambs..............	15,571,000	16,500,000	15,500,000
Mohair.....................	10,242,000	11,800,000	5,500,000
Total payments.............	102,541,000	113,000,000	108,000,000
Operating Expenses.............	2,438,000	2,068,000	2,050,000
Interest Expense...............	4,386,000	3,567,000	3,522,000
Current year expenditures..	109,365,000	118,635,000	113,572,000
Unrecovered balance, prior years........................	131,959,000	109,365,000	118,635,000
Total cumulative unrecovered balance......	241,324,000	228,000,000	232,207,000
Reimbursement to CCC (70 percent of preceding calendar year duty collections) a/....	131,959,000	109,365,000	118,635,000
Unrecovered balance, end of year	109,365,000	118,635,000	113,572,000

a/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

NATIONAL WOOL ACT

STATUS OF PROGRAM

Under the National Wool Act of 1954, as amended, support of prices of wool and mohair is mandatory. The Corporation makes payments to producers in order to bring the national average price received by all producers up to the support price required under the Act.

Funds of the Corporation are used to carry out this program. Section 705 of the Act provides that the Corporation be reimbursed for any expenditures made in connection with payments to producers, but the amount of reimbursement in any fiscal year cannot exceed 70 percent of the gross receipts from all import duties collected on wool and wool manufacturers from January 1 through December 31 preceding the beginning of each fiscal year.

Costs

Costs incurred under the wool program include payments and operating and interest costs. The cost of the wool program in fiscal year 1985 was $109.4 million which included $92.3 million in payments on 1984 wool marketings, $10.3 million in payments on 1984 mohair marketings, and $6.8 million in operating and interest costs.

The following table shows the historical cost data for the wool program:

COST OF WOOL PROGRAMS FINANCED BY COMMODITY CREDIT CORPORAITON

Year	National Wool Act Payment Program (Fiscal Year)	Gross Receipts from Duties Collected on Wool and Wool Manufactures (Calendar Year)	70% of Duties Collected on Wool and Wool Manufactures Available for Payments (Calendar Year)
1953	---	$75,768,963	$53,038,274
1954	---	56,635,765	39,645,036
1955	$187,684	69,930,183	48,951,128
1956	2,020,975	74,694,145	52,285,902
1957	61,292,352	67,233,972	47,063,780
1958	57,182,448	71,500,447	50,050,313
1959	20,025,827	95,985,584	67,189,909
1960	92,653,681	107,539,419	75,277,593
1961	60,886,811	98,806,944	69,164,861
1962	65,347,054	128,827,847	90,179,493
1963	63,164,602	132,071,019	92,449,713
1964	73,203,933	113,323,654	79,326,558
1965	22,577,216	173,538,080	121,476,656
1966	38,260,163	158,357,675	110,850,372
1967	34,792,675	138,500,000	96,950,000
1968	72,451,002	168,000,000	117,600,000
1969	67,892,514	152,866,000	107,006,200
1970	56,272,766	133,489,000	93,442,300
1971	75,430,447	95,281,000	66,696,700
1972	116,545,406	84,005,000	58,803,500
1973	74,000,154	92,025,000	64,417,500
1974	7,735,468	83,738,000	58,616,600
1975	27,250,000	82,993,000	58,095,100
1976	47,275,000 1/	131,240,000	91,868,000
1977	10,428,000	178,155,000	124,708,500
1978	33,038,000	205,181,000	143,626,700
1979	39,421,000	195,155,500	136,608,850
1980	34,520,000	222,832,313	155,982,619
1981	42,078,000	247,895,236	173,526,665
1982	53,855,000	240,636,200	168,445,340
1983	93,575,000	269,704,917	188,793,442
1984	131,959,000	402,269,431	281,588,602
1985	109,365,000	405,000,000 2/	283,500,000 2/
TOTAL	1,684,687,178	4,953,180,294	3,467,226,206

1/ Includes costs of $1,815,000 for the transition quarter.
2/ Estimates.

Note: Excludes $116 million in CCC losses on commodity loan and inventory operations prior to National Wool Act.

Promotion Activities

The Agriculture and Food Act of 1981 extends the provision that advertising and sales promotion programs may be conducted for wool and mohair. Programs of advertising and sales promotion for wool, lamb, and mohair are carried out by approved organizations established by growers for this purpose. Activities are designed to improve demand for products in the free market. Advertising and sales promotion programs may be conducted outside of the United States for the purpose of maintaining and expanding foreign markets and uses for mohair, or goats or the products thereof produced in the United States.

A "self-help" program for advertising, promotion, and related market development activities is authorized, if approved by producers, by Section 708 of the National Wool Act of 1954. These promotion activities are financed from CCC producer payments and do not increase CCC outlays. In a referendum held August 16 through August 27, 1982, wool producers approved an agreement to continue deductions from Commodity Credit Corporation wool incentive payments to finance the promotion of wool. The agreement authorizes continued deductions from payments made under the National Wool Act on wool and unshorn lambs marketed during 1982 through 1985. The agreement authorizes deductions of up to 4 cents per pound on shorn wool and 20 cents per hundredweight on unshorn lambs. When wool and lamb payments are computed, these deductions are withheld and forwarded to the American Sheep Producers Council to finance advertising and sales promotion programs.

Mohair producers voted in a referendum held December 6 through 17, 1982, and approved an agreement authorizing deductions from Commodity Credit Corporation mohair incentive payments to finance the promotion of mohair. The agreement authorizes deductions from payments made under the National Wool Act on mohair marketed during 1982 through 1985. The agreement authorizes deductions of up to 4-1/2 cents per pound on mohair which are withheld from mohair payments and forwarded to the Mohair Council of America.

WEDNESDAY, MARCH 19, 1986.

HUMAN NUTRITION INFORMATION SERVICE

FOOD AND NUTRITION SERVICE

WITNESSES

JOHN W. BODE, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES

DR. SUZANNE S. HARRIS, DEPUTY ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES

ROBERT E. LEARD, ADMINISTRATOR, FOOD AND NUTRITION SERVICE

SONIA F. CROW, ASSOCIATE ADMINISTRATOR, FOOD AND NUTRITION SERVICE

ROBERT L. RIZEK, DIRECTOR, NUTRITION MONITORING DIVISION, HUMAN NUTRITION INFORMATION SERVICE

C. NORMAN STOWELL, BUDGET OFFICER, HUMAN NUTRITION INFORMATION SERVICE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING COMMENTS

Mr. TRAXLER. I want to welcome John Bode, Assistant Secretary for Food and Consumer Services, from the Food and Nutrition Service, and Suzanne Harris, Deputy Assistant Secretary, Food and Consumer Services.

What I would like to do is start with Mr. Bode. We would appreciate it if you would abbreviate your statement, as we have discussed, and what I would like you to do is introduce those members of your staff who are present for the record.

Mr. BODE. Yes, sir. Thank you.

As you mentioned, I am with Dr. Suzanne Harris, the Deputy Assistant Secretary for Food and Consumer Services. Bob Leard, the Administrator of the Food and Nutrition Service, is on my right. George Braley is the Deputy Administrator of the Food and Nutrition Service for Special Nutrition Programs. On his right is Virgil Conrad the Deputy Administrator for Family Nutrition Programs. Jerry Boling, the Food and Nutrition Service Budget Officer is also with us today.

In abbreviating my comments——

Mr. TRAXLER. Who is that gentleman to your left, sitting at the end of the table?

Mr. BODE. He is Steve Dewhurst the USDA Budget Officer. I also want to introduce Sonia Crow, who is the Associate Administrator of the Food and Nutrition Service, and Joe Leo the Food and Nutrition Service's Deputy Administrator for Management. Mr. Leo is new with us.

Mr. TRAXLER. Thank you. We welcome all of them.

You may proceed.

Mr. BODE. Thank you, sir.

In summarizing my comments, let me say that we are committed to a very aggressive role in the context of today's budget situation.

HUMAN NUTRITION INFORMATION SERVICE

For nutrition education and nutrition monitoring, I believe we have a good track record. The Human Nutrition Information Service has plans to continue those activities in a very serious way.

FOOD AND NUTRITION SERVICE

The Food and Nutrition Service, administers the major food assistance programs. We have a budget request of $17.7 billion. Including commodities, the request is about $18.1 billion. We think that significant savings can be achieved without hurting those in greatest need, and I have legislation that will be proposed to accomplish that.

With that quick summary, I will ask Dr. Harris to make a statement in regard to the budget request for the Human Nutrition Information Service; Mr. Leard will then summarize his statement about the Food and Nutrition Service budget request. Thank you.

[CLERK'S NOTE.—Mr. Bode's prepared statement appears on pages 1014 through pages 1015.]

Mr. TRAXLER. Thank you.

Dr. HARRIS. Thank you, Mr. Bode.

Mr. TRAXLER. Please proceed.

HNIS MISSION

Dr. HARRIS. As you are aware, the mission of the agency is to conduct and interpret applied research in human nutrition to improve professional and public understanding of the nutrient value of the food we eat and the nutritional adequacy of our diets and food supplies and also to provide information needed by the American public to make informed food choices.

The agency is proceeding to carry out this mission in two different ways. First of all, this is a data collection agency which is involved in food consumption surveys. We are very proud of the new Continuing Survey of Food Intakes by Individuals which is part of the National Nutritional Monitoring System, providing data on a very up-to-date basis. The data was collected in the spring of 1985 and released to Congress and to the public in December of 1985, about a six-month turnaround.

We will be proceeding with a Nationwide Food Consumption Survey. This is the large decennial survey which involves data collection of a national sample of all income levels.

The data collection efforts also require an expanded Nutrient Data Bank where we keep nutrient composition tables on a number of nutrients available in our diet. That has been expanded from 14 nutrients to 28 nutrients for the survey.

The second component of the agency's mission is that of the interpretation of the data that is collected and the spreading of this information both to Congress and professional people as well as to the public. This is being carried out by the revision and redistribution of the dietary guidelines in September of 1985, and also in the evaluation of the Nutrition Monitoring System's Nationwide Food Consumption Survey and National Health and Nutrition Examination Survey called NHANES by the Joint Nutrition Monitoring Evaluation Committee. That report should be available shortly.

HNIS BUDGET REQUEST

The budget request for the agency for fiscal year 1987 is $6,876,000. This will allow us to continue these important programs.

Thank you.

[CLERK'S NOTE.—The full text of Dr. Harris' prepared statement appears on pages 1016 through 1026. The explanatory notes appear on pages 1027 through 1035.]

PROPOSED LEGISLATION

Mr. TRAXLER. Thank you.

Mr. Bode, I noticed that as part of your testimony you allude to certain specific proposals which are to be submitted to Congress for legislative changes in various nutrition programs.

Can you tell us whether or not there have been specific bills introduced to accomplish those purposes?

Mr. BODE. No, sir, specific bills to accomplish those purposes have not yet been introduced.

Mr. TRAXLER. But your budget reflects the anticipated passage of those bills and their being signed by the President, is that correct?

Mr. BODE. Yes, sir.

Mr. TRAXLER. And we have had somewhat of an approach like that in the past on some occasions. My observation is, and I am sure you will correct me if I make a misstatement, that the Congress has not been very sympathetic towards those kinds of changes.

Have you any information that the Congress is going to treat them differently perhaps this year whether or not they are introduced?

Mr. BODE. Congressman, I cannot predict exactly what Congress is going to do and would not try.

In looking politically at the major proposals for strengthening the error rate sanction system, for example, the House passed food stamp program legislation two years ago—H.R. 5151—that included a similar sanction provision. We feel that due to the growing public recognition of the need to reduce the upper and middle income Child Nutrition Program, subsidies the time has again come to address this issue.

There is greater support for that proposal now than before, and you are as aware of the overall budget context as anyone.

Mr. Chairman, would you like Bob Leard, the Administrator of the Food and Nutrition Service, to give his statement now or——

Mr. TRAXLER. Does he want to make a statement? We are always glad to have people in charge.

Mr. **Bode**. I am sorry. I guess I was not clear. I had a brief statement, and Bob, as Administrator of the Food and Nutrition Service, was going to present an abbreviated statement.

Mr. **Traxler**. One of our favorite agencies and we want to hear from them absolutely.

Bob, would you proceed in an abbreviated form?

FNS FISCAL YEAR 1987 BUDGET REQUEST

Mr. **Leard**. Thank you for providing the opportunity. I am going to move very rapidly.

For fiscal year 1987, the Food and Nutrition Service will request about $17.7 billion. The changes proposed in this budget reflect the spirit of Gramm-Rudman to improve and tighten administration, to eliminate benefits to non-poor households, and to repeal yet-to-be implemented changes aimed at program expansion.

CHILD NUTRITION PROGRAMS

Returning to the Child Nutrition Programs, we are requesting an appropriation of $3.458 billion. This is a reduction of $415 million below the fiscal year '86 estimate.

These reductions are due to a series of legislative proposals. I will highlight several of them.

One is to eliminate cash and commodity subsidies for meals served to non-needy children.

Another measure is to reestablish a means test for family day care homes to assure that these funds are used for needy children.

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)

Turning to the WIC Program, we are requesting a total of $1.617 billion. This is an increase of $57 million above the funds available from the FY '86 appropriation. It is expected that this increase will defray the costs of inflation and maintain participation of about three million individuals.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

For the Commodity Supplemental Food Program, we are requesting $38.6 million, an increase of $1.8 million. Participation in this program will be about 140,000 women, infants and children.

FOOD STAMP PROGRAM

Turning to the Food Stamp Program, we are requesting an appropriation of $11.519 billion, a reduction of about $301 million from last year's appropriation which can be attributed to the continuing decline in participation resulting from the general improvement in the economy.

There are several major legislative proposals to repeal several of the unimplemented provisions of the Farm Security Act, and to bring our administrative funding in consonance with the Department of Health and Human Services by lowering some of the matching provisions to the 50 percent rate.

FOOD PROGRAM ADMINISTRATION

I would close, Mr. Chairman, by briefly addressing the agency's Food Program Administration account. Of course, our major programs are exempt from the effects of the Deficit Reduction Act. Our administrative funds are not, and this has caused us to have some pretty tight times. Over the past three or four years, we have reduced our staff by over 600 people. Travel has been cut in half. In this year's request, you are going to see, for the first time, a $4.2 million request for funds for the enhancement of automation. This is our long-range Information Resources Management Plan, the implementation of which is very important to the future of the agency.

INFORMATION RESOURCES MANAGEMENT (IRM) PLAN

We feel that if we are going to reduce staff and continue to run the programs as you would like for us to run them, we have to automate. To date I have——

Mr. TRAXLER. If you ran certain programs the way I wanted, you'd get your $4.5 million plus.

Mr. LEARD. Well, that is nice to know, sir.

But I would close by saying that it is very important for us to fund the IRM Plan.

Thank you.

[CLERK'S NOTE.—The full text of Mr. Leard's prepared statement appears on pages 1036 through 1042. The explanatory notes appear on pages 1043 through 1157.]

Mr. TRAXLER. What is your expectation, Mr. Leard, as to the ultimate cost of your automation program? What do you see? How long will it take and what do you project as the total cost?

Mr. LEARD. In total, we have already put about $1 million into computers by taking it out of our administration funding hide. This has basically provided microcomputers. Now we need to replace our antiquated mainframes and this is, conservatively speaking, a five-year program with the biggest up-front money being provided next year. With the available funding from our program accounts, the total cost should be about $25 million over a period of five years.

A substantial portion of this amount would, of course, come out of the Food Program Administration account. The $4 million plus in this request is for the first big equipment buy.

COLLECTIONS FROM FOOD STAMP ERROR RATE SANCTIONS

Mr. TRAXLER. Coming back for a moment to your testimony, in your budget for this year, it is assumed that you are going to collect $150 million in error rate sanctions.

And my recollection is that that has averaged in prior years something in the order of $5 million, if I recall, from sanctioned error collections.

Why this incredible increase, and is it realistic?

Mr. LEARD. Our estimate is based on collections from the period beginning in fiscal year 1983 when the error rate liability rules were considerably strengthened. Whether we will collect the total amount remains to be seen. It is hard to make a precise prediction. In the past, the process has been delayed by litigation in some States, but there is a possibility that this will not be the case in all States. We believe that we can collect more if these cases are heard, and other States determine that they do not want to litigate based on the results of the current cases. We think we can collect more. Whether we will get the total amount certainly remains to be seen.

Mr. TRAXLER. Well, in the event you do not, I think it is important to note that you just established your 1984 sanctions list. That was just published. And again, since 1980, you have collected approximately $5 million. I think that is a total amount per year.

Mr. LEARD. No. The total collected to date is about $1 million.

Mr. TRAXLER. Yes. And so what I am concerned about is we are going to have a probable shortfall here in the Committee's estimation. And what will that mean? You are going to be short $70 million, $69 million, $68 million.

Mr. LEARD. We do not anticipate that the Food Stamp Program will experience a funding shortfall.

If, however, our projections do not materialize, we might come back with a supplemental request.

But, at this point, it is our best estimate.

PROJECTIONS OF SAVINGS TO RESULT FROM PROPOSED LEGISLATION

Mr. TRAXLER. Have any of the bills that you alluded to been introduced so we can modify the program?

Mr. LEARD. No, they have not.

Mr. TRAXLER. Have not been introduced.

I am concerned to hear it because what we are hearing is the budget is based upon certain predications that the bills will be adopted and that these reductions will take place statutorily. And the record here is four for four against you.

What is the total amount that is assumed would be realized in savings if the changes were made?

Mr. LEARD. It would be $69 million in food stamps and $67 million in the Child Nutrition Program for '86.

Mr. TRAXLER. For '86.

Is that the same figure then for '87?

Mr. LEARD. No. For '87, the food stamps would be $313 million, and the child nutrition would be $775 million.

Mr. TRAXLER. Now, as the year goes along and no bills are introduced, I assume the Committee will come to the conclusion that these changes are not going to take place.

Should the Committee then fund the program to the extent of those proposed savings which are not going to take place in order to be sure that you are going to get adequate monies to meet commitments that you will have under existing law?

Mr. LEARD. For the 1986 Food Stamp Program, I believe that we are going to be in good shape because as it turns out, the participation rate has been somewhat less than had been predicted. So even if we do not achieve all of the savings anticipated, we still believe that we will be able to get through the year. It will be very tight—and again it is early in the year in terms of projecting final numbers, but we feel that, based on historical precedents, and what we are seeing this year, we will be all right.

Now, as far as '87, that remains to be seen.

Mr. TRAXLER. Of course, that is what the Committee has to deal with. Projecting what the Congress is going to be doing is difficult. And I want to assure you we have the same problems that you and the Administration have in trying to figure out where the economy is going to be. That is the bottom line, I guess, in your agency.

Good news is when times are good, you are down, and when times are bad, we will see you back here I am sure. And let us hope that is not the case.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Mr. Bode, I want to thank you and your good staff for the assistance in implementing the directives in the '86 Conference Report, that provided for administrative funds for the bonus commodity feeding programs. That is a program that is dear to many people on this Committee, and we are very appreciative of the response that we had in that regard.

We are giving you some further directives in the CCC Supplemental Bill that is currently being considered in the House, and I think may have passed the Senate. We anticipate that that bill will be going to the President sometime in the near future. It is sort of like a ping pong ball.

Mr. BODE. We have been hearing about that.

Mr. TRAXLER. Yes, I am sure you have. And there is some Conference Report language that I am sure will be brought to your agency's attention that deals with repayment to the CCC out of the Commodity Supplemental Feeding Program monies. We hope you will defer any repayment until we get a chance to examine the philosophy of that approach. It is about $3.95 million as I recall.

Mr. BODE. Mr. Traxler, I previously informed both you and the committee by letter of our intent. In fact, that transfer has already been accomplished. We will examine that language and make a determination regarding the most appropriate course of action.

Mr. TRAXLER. What was the date that the transfer took place?

Mr. BODE. It was shortly after the letter was sent to you. It was about the 10th of March.

Mr. TRAXLER. That was the date of the letter, yes.

Mr. BODE. Yes, sir.

PROPOSED LEGISLATIVE CHANGES

Mr. TRAXLER. I think what is important is that I stress, I am sure on behalf of the Chairman and the rest of the Committee members, our displeasure with computing into your budget figures projected changes that realistically are not going to be taking place.

There is nothing in Gramm-Rudman that I know of that says that you may ignore provisions of the law relating to the providing of your services to the needy. And to base a budget on prospective changes in the laws I think is unrealistic. It sort of violates the rules, the comity between the Administration and the Congress. We would like to have some common understandings as to what the rules are by which we approach the budget. And the more we have a common denominator for our understanding on which we base our figures, the more realistic we are in dealing with one another.

And I must say that it is totally unrealistic to believe that the Congress is going to enact all of those projections. We would prefer that you add some caveats to your budget and simply say if these proposals become laws, then the figures can be reduced by this amount. That puts everyone on notice as to what you anticipate.

If, in the event, the Congress were to act, that would be reflected in your budget figures. In the event Congress does not act, it puts us in an embarrassing position, an improper and political one, of having to increase your budget based on the fact that I guess the reality of it is that the existing law will remain unchanged.

So I hope that in the future you can impress upon those people at OMB who seem to play by their own rules that this Committee is not all pleased with their recommendations in that sense, and we do not appreciate them doing—having done that to us.

GRAMM-RUDMAN

Mr. Leard, in your testimony you state that your budget reflects the spirit of Gramm-Rudman to repeal yet-to-be implemented changes aimed at program expansion. Can you cite for me the provision in Gramm-Rudman which gives you the directive to refuse to implement provisions of law?

Mr. LEARD. There is, of course, no such provision in Gramm-Rudman, nor do we intend to refuse to implement any provision of law. The provisions to which I referred are included in P.L. 99-198, the Food Security Act of 1985. They related to the Food Stamp Program and would increase the earned income deduction from 18 percent to 20 percent, separate the dependent care deduction from the shelter deduction and cap it at $160, raise the shelter deduction (to $147 in the 48 States and District of Columbia), raise the resource limit to $2,000 for households with no elderly members, and extend the $3,000 resource limit for the elderly to one-person households. Regulations implementing these provisions have been published in the Federal Register. The Fiscal Year 1987 Budget does include our proposals to repeal these costly changes which are unsupported by program data demonstrating any need for such expansion. Extending food stamp benefits to less needy people, as these provisions would do will cost the Federal Governmnent an estimated $69 million from May 1, 1986, to September 30, 1986, and $186 million in Fiscal Year 1987. Without action of the Congress to repeal these changes, they will go into effect in every jurisdiction on May 1, 1986.

Mr. TRAXLER. Has anyone filed any law suits against the Department as of yet for your failing to implement the law? Your testimony here to day is certainly a sufficient statement of intent.

Mr. LEARD. No such law suits have been filed and none are anticipated since the Department has no intention of failing to implement any provision of law. As I have already stated, regulations implementing the provisions of P.L. 99-198 that are to go into effect on May 1, 1986, have already appeared in the Federal Register with sufficient time for State agencies to make the changes in eligibility and benefit determinations on May 1.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Mr. **Traxler.** Secretary Bode, I want to thank you for your assistance in implementing our directive in the fiscal 1986 conference report to provide administrative funds for the bonus commodities handled by CSFP operators. The approval was certainly good news for program operators.

However, I must admit disappointment regarding the decision to use $3.95 million to partially reimburse the Commodity Credit Corporation for food items that are part of the regular food package. Our conference report on the Commodity Credit Corporation supplemental directs you not to implement this transfer until both Appropriations Committees have had time to adequately review this matter and approve it. Are you prepared to assure us that you will comply with this directive?

Mr. **Bode.** Before the Commodity Credit Corporation supplemental was reported out of Committee, funds had already been transferred to the Commodity Credit Corporation—CCC—for nonfat dry milk and rice, totalling $3.95 million, for foods provided starting October 1, 1985.

CSFP APPLICATIONS

Mr. **Traxler.** We know that there are four applications pending for new CSFP operators. We also know that other communities are interested in applying. The 1985 Farm Bill directs you to approve new applications to the extent that it is possible within available funds. Since we know that you have $3.95 million available, why don't you use that money to approve new applications?

Mr. **Leard.** Currently, there are three States—Arizona, Oregon, and New Mexico—that have approvable CSFP State Plans—applications—on file with the Department.

The $3.95 million you referenced has been transferred to the CCC to pay for foods that are a part of the CSFP Food Package. Our current assessment of the funding situation for Fiscal Year 1986 indicates that the Department will not be in a position to provide funding to start new CSFPs.

Mr. **Traxler.** Recently my office tried to obtain a copy of an application packet for a community. While it was helpful to find out that they should contact the regional office in Chicago to develop a proposal, it was rather surprising to learn that there isn't any kind of readily-available information packet or application kit. Why is this?

Mr. **Leard.** There are application packets and readily-available information packets for the CSFP that may be obtained from the Department or from the Food and Nutrition Service's seven regional offices which work directly with CSFP State agencies.

CSFP LANGUAGE

Mr. **Traxler.** Your budget proposal looks good in terms of the dollars available. But it also looks as if you are trying to phase out the program. Why, for example, do you seek language which claims that the dollar amount requested "shall be the maximum amount available?" Are you saying that you do not want to be able to use any carryover funds that could be left at the end of the current fiscal year?

Mr. LEARD. Based on our Fiscal Year 1986 CSFP cost estimate, there will be no carryover funds at the end of the current year available for use in Fiscal Year 1987.

CSFP ELDERLY PARTICIPATION

Mr. TRAXLER. Your budget proposal also appears to limit the elderly program to just those who are participating in it this fiscal year. This appears to be designed to end the program when the current rolls dwindle. Is this your intention? What do we say to the 15,000 senior citizens currently on the waiting list in Detroit, the others in Des Moines and New Orleans, and those other communities who want to start senior programs?

Mr. LEARD. Our budget proposal is to limit participation to those now on the program in order to gradually and responsibly phase out the program. There are many assistance programs available for the elderly, including the Food Stamp Program, Congregate Meals, Meals on Wheels and, of course, Social Security. In this time of budget deficits, it is imperative to deter expansion of a duplicate program.

Mr. TRAXLER. The Farm Bill allows local communities to assign caseloads to senior citizens after the needs of mothers, infants and children have been met. What are you doing to implement this provision, and when can program operators expect to start adding senior citizens to their rolls?

Mr. LEARD. The Department will soon issue regulations which implement Public Law 99-198. These regulations will establish procedures for adding elderly participants which will ensure that such assistance does not restrict or reduce assistance to eligible women, infants and children.

COMPONENTS OF THE CSFP BUDGET

Mr. TRAXLER. Can you identify for me which components of the budget for this program were suggested by Food and Nutrition, the Department, and OMB? While I know that you will support the budget that is here today as yours, I want to know who exactly was the designer of each of the components.

Mr. LEARD. There has been essential agreement throughout the Budget process regarding the funding of the current Commodity Supplemental Feeding Program at the estimated level of 140,000 participants. The Elderly Pilot Programs were proposed to be transferred and consolidated with similar HHS Programs by FNS and USDA. OMB proposed financing current participants as proposed in the President's Budget.

CSFP ALLOCATIONS

Mr. TRAXLER. There has been a persistent problem in recent years for local operators to get their caseload allocations. In fact, as

I understand it, program operators were never given a specific allocation for fiscal 1985, but told to continue to operate at no more than fiscal 1984 levels. When will program operators be given their allocation for fiscal 1986?

Mr. LEARD. Fiscal Year 1986 caseload levels and authorized administrative grant levels were announced on March 10, 1986. Local operators should now be informed of these levels.

Mr. TRAXLER. For the record, please provide by program operator the caseload allocations for each fiscal year since fiscal 1982, including your current projections for fiscal 1986 and 1987.

Mr. LEARD. The operators of the elderly program were not allocated caseload levels until Fiscal Year 1986. The chart below shows average participation levels by operator for each of Fiscal Years 1982 through 1985 and assigned caseload levels for Fiscal Year 1986. We have no projected caseloads for the elderly in 1987. Our budget assumes 7 percent attrition.

[The information follows:]

Operator	Average participation fiscal year—				Caseload level 1986 (projection)
	1982	1983	1984	1985	
Michigan	781	2,428	4,773	7,384	7,444
Louisiana	(1)	1,411	5,283	7,923	7,883
Iowa	562	1,681	2,857	4,115	4,102

[1] Operator did not start elderly program until December 1982.

CSFP CASELOAD

Mr. TRAXLER. For the record, please provide by program operator for the Commodity Supplemental Food Program the caseload allocations for each fiscal year since fiscal year 1982.

Mr. LEARD. The Fiscal Year 1986 caseload represents the highest level of participation achieved in any project during the first quarter of this year. Caseload allocations for the Commodity Supplemental Food Program, except for the elderly projects, for Fiscal Years 1982 to 1986 are presented below.

[The information follows:]

	Fiscal year—				
	1982	1983	1984	1985	1986
District of Columbia	11,255	8,419	9,360	9,360	6,866
Kentucky	6,219	7,807	8,400	8,400	5,217
North Carolina	2,122	2,042	2,200	2,200	1,577
Tennessee	24,150	28,363	30,900	30,900	25,692
Illinois	(1)	(1)	8,000	8,000	14,170
Michigan	43,452	51,918	60,240	60,240	43,197
Red Lake, Minnesota	531	552	500	500	518
Louisiana	22,345	21,531	21,300	21,500	20,686
Colorado	15,306	14,191	15,500	15,500	15,154
Iowa	2,583	2,560	2,950	2,950	2,340
Nebraska	4,403	4,534	5,360	5,360	4,629
South Dakota	2,576	1,761	1,700	1,700	1,617
California	7,402	6,951	6,800	6,800	5,522
Total	142,343	150,629	173,410	173,410	147,205

[1] Not Operational.

CSEP FOOD COSTS

Mr. **Traxler**. You estimated fiscal 1986 food costs at $16.54 per person per month last year. This year you claim that they will actually be $17.46 per month, an increase of a little over 5.5%. What is the basis for this increase, particularly since you appear to be projecting an increase of only 1.7% for fiscal 1987?

Mr. **Leard**. The food cost figure of $16.54 estimated last year was based only on the value of commodities which were purchased from the CSFP account for the program. In addition in 1985, the CCC paid for some commodities which are included in the CSFP food package. This year's food cost estimate of $17.46 includes the estimate cost of the complete CSFP food package.

Mr. **Traxler**. Given that you are claiming that 146,800 people can be served on a monthly basis with $26.7 million for supplemental food, it seems to me that the monthly food package cost should be $15.16. How do you get $17.46?

Mr. **Leard**. The $26.7 million figure does not include the value of carryover commodities provided from inventory and uncommitted commodities which are necessary to meet program needs. When these resources are factored in, the funding is adequate to support our project caseload at the monthly food cost of $17.46 per person.

CSFP PARTICIPATION

Mr. **Traxler**. You claim that you will serve an average of 146,800 people this year and still be able to use $3.95 million for reimbursing CCC. Does this mean that if average participation is below 146,800 that we can afford to add people to the program for the balance of the fiscal year?

Mr. **Leard**. The amount and distribution of any additional caseload will depend on available funds and will be based on regulations being developed to implement the recent legislation.

Mr. **Traxler**. You missed the point Mr. Leard. I'll try again. For the CSFP, is the money you have available this year adequate to serve your projection of 146,800 and, if so, will you do it?

Mr. **Leard**. Yes, the money available in Fiscal year 1986 is adequate to serve our projection of 146,800 and program operators have been authorized to serve this level.

Mr. **Traxler**. What has been the monthly participation since last October?

Mr. **Leard**. I will be glad to provide the requested information on monthly participation.

[The information follows:]

PROGRAM PARTICIPATION

Month	Commodity Supplemental Food Program	Elderly Feeding Pilot Program
October	147,366	19,429
November	136,978	19,003
December	137,010	19,582

PROGRAM PARTICIPATION—Continued

Month	Commodity Supplemental Food Program	Elderly Feeding Pilot Program
January	142,692	19,687

REIMBURSING CCC FOR CSFP FOODS

Mr. TRAXLER. In your commodity cost for fiscal 1987, do you presume reimbursing CCC for foods for CSFP, and if so, how much of the $29.8 million is targeted for that purpose?

Mr. LEARD. Yes, we are planning to reimburse CCC for the value of donated commodities included in the food package in Fiscal Year 1987. We are projecting that value to be $4.4 million.

CSFP ADMINISTRATIVE FUNDS

Mr. TRAXLER. You also appear to be suggesting a $960,000 drop in administrative funds while increasing the amount available for food purchases. Since the law provides administrative funding at 15% of the amount appropriated for food purchases and the value of donated commodities, how can you have administrative funds go down while food costs go up? Everywhere else in your budget you propose funding based upon current law.

Mr. LEARD. First, all of our budget funding projections are based on the Administration's proposals. One of these proposals is to provide no administrative funds based on the value of donated commodities. We will also reimburse CCC for the value of commodities provided that are in the food package. This reduces CCC costs and helps decrease the deficit by defraying their costs. Administrative funding will be based on 15 percent of the appropriation.

Mr. TRAXLER. While your testimony, Mr. Leard, indicates that you want legislative approval for removing administrative funding for bonus commodities, the justifications for the budget make no reference to this change. Perhaps this is simply an oversight which I am sure you will correct for the record. What is the amount of administrative funds you associate with this change?

Mr. LEARD. Yes, we are proposing to delete paying administrative funding for bonus commodities. Since the CCC is not required to donate commodities to CSFP, the Government should not be obligated to pay administrative funding on these commodities. We estimate the cost savings to be $0.8 million for CCC-provided foods in the package and $1.5 million for foods outside the package.

CSFP BONUS COMMODITIES

Mr. TRAXLER. Will you continue to provide bonus commodities to CSFP operators in fiscal 1987, and if not, why not?

Mr. LEARD. Yes, we will continue to provide bonus commodities to CSFP operators in Fiscal Year 1987.

COST OF CSFP CASELOAD

Mr. TRAXLER. How much would it cost in fiscal 1987 to maintain a caseload of 146,800?

Mr. **Leard**. Leaving our other budget proposals constant, increasing the number of women, infants and children participating in the Commodity Supplemental Food Program (CSFP) from 140,000 to 146,800 would cost an additional $1.7 million above our current budget request of $38.6 million.

Mr. **Traxler**. How much would it cost to maintain the current caseload for the elderly?

Mr. **Leard**. To support the current caseload of participants in the CSFP Elderly Feeding Pilot Projects, assuming the rest of our budget proposal stays the same, would cost $264,000 above our current budget request. However, given the many assistance programs available for the elderly, we do not believe such funding is warranted.

Mr. **Traxler**. Since you presume to want to allow only those receiving food under the elderly program to continue on this program, what is your estimated cost for solely the elderly portion in fiscal 1987?

Mr. **Leard**. The cost of the CSFP Elderly Pilot Projects in the 1987 budget request is about $3.5 million.

CSFP ELDERLY FOOD COST

Mr. **Traxler**. What is the monthly food package cost for the elderly program?

Mr. **Leard**. We project a Fiscal Year 1987 cost of $13.79 per month in the CSFP Elderly Feeding Pilot Projects.

CSFP ELDERLY WAITING LISTS

Mr. **Traxler**. What is the size of the waiting lists in each of the three elderly programs?

Mr. **Leard**. According to the most recent available data, Michigan, Louisiana and Iowa have 15,000, 4,000, and 500 seniors respectively on waiting lists.

EXPANSION OF CSFP ELDERLY PROGRAM

Mr. **Traxler**. What inquiries have you received regarding start-ups or expansions of the elderly program in other cities over the last year, especially since the adoption of the farm bill?

Mr. **Leard**. In response to farm bill legislation, the following CSFP State agencies have expressed interest in starting an elderly program: Tennessee, Nebraska, Colorado, California and the District of Columbia. Expansion inquiries have been received from each of the three current elderly feeding sites.

FNS SUPPLEMENTAL APPROPRIATIONS

Mr. **Traxler**. You are proposing a large number of legislative changes that would result in savings for fiscal 1986. Based on these savings you are not requesting any supplemental appropriations. In the event these legislative changes are not enacted, what supplementals would you need in each program, and when would they be needed?

Mr. **Leard**. Even if the legislative provisions of the President's budget are not enacted, we do not foresee that supplemental appropriations will be necessary. However, to ensure that each program is adequately funded during Fiscal Year 1986, we continue to closely monitor the level of available funds. As an example, the Secretary submits his mandated report to Congress on food stamp funding by the fifteenth of each month. In this report, the Secretary sets forth his best estimate of the second preceding month's food stamp expenditure. The Secretary also includes in this assessment whether he believes that benefit reductions will be necessary.

Mr. **Traxler**. I understand that the Congressional Budget Office recently determined that an additional $50 million will be needed for the food stamp program for fiscal 1986. How would you respond to this?

Mr. **Leard**. In the context of total anticipated benefit costs for 1986, the Congressional Budget Office estimate of additional funding needed is relatively small. An additional $50 million amounts to about two days worth of benefits.

At this time, we believe that the level of available funding is sufficient to meet program needs without a supplemental appropriation.

As always, however, we continue to monitor closely participation and program costs.

SCHOOL LUNCH PROGRAM

Mr. **Traxler**. I notice that you want to change the school lunch program so that reduced price lunches are no longer available. You say that you are eliminating assistance to "upper income participants", making it sound as if the family has an income in excess of $50,000 per year. You and I both know that isn't true.

We had some changes in eligibility levels for school lunch a few years ago. As a result, a number of schools discontinued the program because they didn't have a sufficient number of students eligible for the program to make it worthwhile. Every time that a program was discontinued, eligible students lost program benefits. I am sure that will happen again.

How do you propose to provide benefits to those students who don't get them because schools have discontinued the program? Will they get vouchers to use at restaurants?

Mr. **Leard**. The March 1985 Current Population Survey shows that for households of four persons above 185 percent of poverty, the median income is over $37,000 annually. Surely these households can afford to pay a small increase, at most 25 cents, per meal. In a very limited number of cases, a cooperative agreement has been established between a non-program school and a program school within the same school food authority so that students from the non-program school can receive meal benefits at a nearby program school. The regulations do provide that within the same school food authority, a student's eligibility for program benefits is directly transferable from one school to another.

Mr. **Traxler**. Your proposal also seems to suggest that future increases in school lunch programs will be funded in cash. Are you adopting the cash-in-lieu of commodities approach before the authorizing committees have acted in this regard, or are you merely recommending the adoption of that system?

Mr. **Leard**. We are not adopting the cash-in-lieu of commodities approach. In fact, our proposal to eliminate subsidies to upper income children includes provisions to insure continued support for the commodity system. Under current legislation States receive commodities at the rate of 12.5 cents per NSLP meal, whether free, reduced price, or paid. Under proposed legislation each free or reduced price meal would receive commodities at the rate of 24.25 cents per meal. This rate was chosen to provide commodity support at the current level. The 24.25 cent commodity rate is frozen in the proposed legislation, therefore, as you suggest, the proportion of cash relative to commodity support would increase slightly over time.

SPECIAL MILK PROGRAM

Mr. **Traxler**. You want to change eligibility standards for the special milk program in a way which will drop demand for milk from this program by about 10 million gallons. This program has been beneficial at providing nutritious foods to millions of low income students. Describe for me the child that would be eliminated by your proposal.

Mr. **Leard**. Our proposal will not deny milk to needy children. What we are proposing to do is eliminate paid subsidies for the Special Milk Program. These subsidies go to children from households with incomes greater than 130 percent of the proverty level—$14,300 annually for a family of four. This will increase the price of milk to these non-needy children by about 9.25 cents, which is unlikely to deny many of them the ability to purchase milk.

Mr. **Traxler**. Has anyone introduced this proposal as a bill, or has it even been drafted yet?

Mr. **Leard**. The Administration's proposal to eliminate subsidies for upper-income children in the Special Milk Program has been drafted and is currently awaiting clearance.

WIC

Mr. **Traxler**. I am also told that about $10 million in WIC hasn't been released, and this is affecting the number of people who can participate in the program. What is the problem? Does OMB refuse to spend funds that have been appropriated and must be spent absent some kind of official action from the President?

Mr. **Leard**. We intend to allocate these funds soon.

[Clerk's note.—These funds were allocated on April 9, 1986.]

FOOD STAMP PROGRAM

Mr. **Traxler**. I notice that you want to make changes in the asset test for eligibility. One of the things that has always bothered me is that some assets, like cars, are valued at their blue-book value, not at their net asset value after deducting what is owed to the bank. Would you support a change to a net asset value test?

Mr. **Leard**. There are two primary tests in considering licensed vehicles as an asset of the food stamp household. These are fair market value and equity value. First the fair market value test is applied. There are six possible exemptions from the fair market value test. A vehicle, including a boat, is exempt if it is used more than 50% of the time to produce income i.e. taxi, truck, fishing boat, to produce income consistent with its fair market value, even though seasonal, for long distance work related travel i.e. sales person or migrant worker, and needed for subsistence boating or fishing, as a home, or to transport a disabled household member. Fair market value is based on the wholesale blue book value. The excess above $4,500 is then added to the resource worth of the household.

Next, the equity test is applied. A vehicle is equity exempt if it is exempt from the fair market value test or is the household's only vehicle or is necessary for employment transportation. If not exempt, the equity value, that is, the fair market value minus encumberances, of a non-exempt licensed vehicle and any unlicensed vehicles will be added to the household's resource level. However, if a vehicle has a fair market value greater than $4,500 and a countable equity value only the greater of the two amounts—the excess over $4,500 or the equity value—will be added to the resource determination.

In the Food Stamp Act of 1977, Congress mandated that vehicles owned by a food stamp household will be evaluated at a fair market value and that the portion in excess of $4,500 shall be attributed to the household's resource level.

The Department supports this mandate, and considers that the amount established is equitable. This asset test helps to insure that food stamp benefits will be granted to households that are truly needy. The public image of the program would be damaged if aid were extended to persons driving expensive automobiles. We consider that the $4,500 value established by Congress is reasonable, that the exclusions from application of the test are fair, and that the calculation of the equity determination when applicable is justified.

Mr. TRAXLER. You want to reduce the level of administrative funds available to States for the food stamp program. First, can you outline for us any additional administrative requirements given to States either by the 1985 Farm Bill, or by any regulations issued by FNS?

Mr. LEARD. We have already begun to issue regulations implementing these requirements and will continue to do so over a period of time. The only other regulation establishing an additional administrative requirement that has been issued since the Farm Bill was approved requires State agencies to develop an Income and Eligibility Verification System in accordance with P.L. 98-369 (Deficit Reduction Act of 1984). I will supply additional information for the record.

[Information follows:]

Accepting applications from residents of publicly-operated community mental health centers;

Including certain governmental, third-party payments as income;

Offsetting farm income losses against other income;

Including earnings provided under the Job Training Partnership Act as income;

Calculating shelter deductions for all households with shelter expenses instead of just those households with dependent care expenses below the cap;

Permitting households to switch between actual expenses and standard utility allowances more frequently;

Calculating self-employment income prospectively when prior income is no longer reflective of actual circumstances;

Establishing and directing employment and training programs;

Issuing food stamps by the 8th day of the next month to households that apply and receive benefits in the last 15 days of the preceding month;

Periodically reviewing the hours of food stamp offices for adequacy in serving employed people;

Establishing fraud detection units in project areas with 5,000 or more participating households;

Extending photo-ID requirements (to cost-effective situations rather than limiting the requirement to situations where photo-IDs will protect program integrity);

Extending liability for overissuances to individual household members;

Using claims collection methods other than cash payment or allotment reduction;

Developing an automated data processing plan by October 1, 1987, and implementing the plan by October 1, 1988.

Mr. **Traxler**. One of the biggest problems I hear from State food stamp administrators is that you constantly want them to do more, and you continue to want to cut the resources they have available to do the job. States are not likely to provide additional resources for a wholly Federal program. Do you have any idea as to what the impact would be on State administrative operations if your proposal is approved?

Mr. **Leard**. The Department's Budget for Fiscal Year 1987 contains two legislative proposals that would affect some State agencies' Federal funding of administrative costs. The first would limit Federal funding to 25 percent (instead of 50 percent) for any administrative costs that exceed 175 percent of national median per-recipient costs. We do not expect this proposal to affect many State agencies. Current cost patterns indicate only 3 State agencies would be affected and we have estimated that those State agencies would not receive about $4 million in federal funding (which is less than 15 percent of the $29.7 million in federal funding the 3 State agencies received in Fiscal Year 1985). However, since the target per-recipient cost would be announced in advance of each fiscal year, these State agencies would have an opportunity to reduce their per-recipient costs enough to avoid some or all of the reduction. We believe the proposal is necessary because it discourages ineffective and inefficient management practices of State agencies.

The second legislative proposal would gradually reduce federal funding for State agencies' costs for investigating and prosecuting fraud and for planning, designing, developing, or installing automated data processing (ADP) systems. Currently, 75 percent federal funding is available for these activities. Under the proposal, this enhanced funding would be reduced to 70 percent on April 1, 1987; then to 65 percent on October 1, 1987; 60 percent on April 1, 1988, 55 percent on October 1, 1988; and finally to 50 percent on April 1, 1989. Providing enhanced federal funding to encourage anti-fraud activity and computerization was a good idea when authorized in 1977 and 1980 respectively but such enhanced funding has served its purpose and can be eliminated without negatively affecting the activities which the funding was intended to foster.

In Fiscal Year 1985, 50 State agencies received nearly $17 million in enhanced Federal funding for fraud investigations and prosecutions above normally funded amounts. The number of fraud investigations and individuals disqualified as the result of prosecutions for fraud has increased annually (49 percent and 34 percent respectively from Fiscal Year 1984 to Fiscal Year 1985). However, these activities do not depend exclusively on enhanced funding as State agencies have other incentives to maintain or improve current levels of activity including the retention of 50 percent of all amounts recovered.

Finally, we question the assumption that State agencies will not devote more of their resources to administering the Food Stamp Program because its assistance is totally federally funded. We believe that State Food Stamp Program administrators are fully aware of the benefits of the program to their States' needy citizens and to the welfare of their States as a whole. The proposals offer not only ample time for State agencies to seek any increase in funding that may be necessary from their State legislatures, but also provides incentives to achieve administrative efficiencies so that no such increases will be necessary.

Mr. TRAXLER. A public service campaign began recently to help people understand that they may be eligible for food stamps. We talked about this private effort last year. Can you tell me whether or not you have been able to detect any increase in applications for food stamps as a result of this program?

Mr. LEARD. The Ad Council food stamp campaign began in early January. So far, we have not detected any increases in applications for food stamps as a result of this campaign. We are in regular contact with the sponsors of this campaign and will continue to monitor the situation.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Mr. TRAXLER. Your are requesting no funds to pay administrative costs associated with the handling of the TEFAP program. We know that many communities discontinued participation because of no administrative funds early on with this program, and a number of us fought to get it. We're not about to give up on it now.

How much money would be necessary for TEFAP administrative funding based on current law?

Mr. LEARD. Current law authorizes $50 million for TEFAP administrative funding in Fiscal Year 1987.

NUTRITION PROGRAM FOR THE ELDERLY

Mr. TRAXLER. You are requesting funds in line with the authorization for the Nutrition Program for the Elderly. As a result of the nearly $5 million drop in funding for this program, how many people may lose the ability to participate in this program?

Mr. LEARD. We anticipate subsidizing approximately 237 million meals in the Elderly Feeding Program during Fiscal Year 1986. The authorization level has no effect on the number of meals served, rather it affects the per meal reimbursement rate.

Mr. TRAXLER. How would this reduction be implemented?

Mr. LEARD. The authorizing legislation directs the Secretary of Agriculture to make a pro rata reduction in the reimbursement rate if authorization levels are exceeded by the legislated payment rate times the number of meals served.

Mr. TRAXLER. Please provide a table showing the level of reduction in terms of dollars and number of meals served by State.

Mr. LEARD. We will be glad to do so. I should note that the number of meals served is not affected by the change.

[The information follows:]

FOOD AND NUTRITION SERVICE NUTRITION PROGRAM FOR THE ELDERLY—GEOGRAPHIC BREAKDOWN OF ESTIMATED OBLIGATIONS—FY 1986

State of territory	Authorized level	Authorized level plus amount of proposed rescission	Difference
Alabama	$2,214,806	$2,305,984	$91,178
Alaska	204,283	212,693	8,410
Arizona	1,373,701	1,430,253	56,552
Arkansas	1,981,339	2,062,906	81,567
California	10,742,591	11,184,838	442,247
Colorado	1,170,460	1,218,645	48,185
Connecticut	1,528,998	1,591,943	62,945
Delaware	632,653	658,698	26,045
District of Columbia	602,427	627,228	24,800
Foriad	6,763,236	7,041,662	278,426
Georgia	1,758,295	1,830,680	72,385
Hawaii	732,710	762,874	30,164
Idaho	615,977	641,335	25,358
Illinois	4,357,696	4,537,092	179,396
Indiana	2,896,445	3,015,685	119,240
Iowa	2,259,623	2,352,647	93,023
Kansas	1,962,579	2,043,373	80,795
Kentrucky	1,994,889	2,077,014	82,125
Louisiana	2,989,207	3,112,265	123,058
Maine	766,062	797,599	31,537
Maryland	2,127,256	2,214,830	87,574
Massachusetts	3,714,621	3,867,543	152,922
Michigan	5,361,394	5,582,110	220,716
Minnesota	2,449,315	2,550,147	100,832
Mississippi	1,850,014	1,926,175	76,161
Missouri	3,436,337	3,577,802	141,466
Montana	836,936	871,391	34,455
Nebraska	1,192.347	1.241.433	49.086
Nevada	557,610	580,565	22,955
New Hampshire	769,189	800,855	31,666
New Jersey	3,078,841	3,205,589	126,748
New Mexico	1,080,825	1,125,320	44,495
New York	11,490,935	11,963,989	473,054
North Carolina	2,716,134	2,827,951	111,817
North Dakota	658,709	685,827	27,117
Ohio	3,828,227	3,985,826	157,599
Oklahoma	2,255,454	2,348,306	92,852
Oregon	1,435,194	1,494,278	59,083
Pennsylvania	6,193,119	6,448,075	254,956
Rhode Island	633,695,	695,783	26,088
South Carolina	1,201,728	1,251,200	49,472
South Dakota	777,527	809,536	32,009
Tennessee	2,136,636	2,224,597	87,960
Texas	7,469,889	7,777,407	307,517
Utah	744,175	774,811	30,636
Vermont	465,891	485,071	19,180
Virginia	1,526,913	1589,773	62,859
Washington	1,729,112	1,800,296	71,183
West Virginia	1,128,769	1,175,238	46,469
Wisconsin	3,580,169	3 727,556	147,387
Wyoming	520,089	541,499	21,411
American Samoa	0	0	0
Guam	179,269	186,649	7,380
N. Mariana Islands	43,775	45,577	1,802
Puerto Rico	1,118,347	1,164,386	46,040
Trust Territory	0	0	0
Virgin Islands	63,578	66,195	2,617
Total	125,900,000	131,083,000	5,183,000

FOOD STAMP PROGRAM

Mr. TRAXLER. FNS estimates that the Food Stamp Program will cost $11.687 billion in fiscal 1987. Yet the Food Security Act adopted last year authorizes $12.0 billion in fiscal 1987. How does FNS plan to make this reduction? Is it not true that several of the proposals included in the Food Security Act have a direct impact on the level of benefits for the unemployed and working poor? Is it not also true that several of these provisions were recommendations of President Reagan's Task Force on Hunger?

Mr. LEARD. The authorization level of $12 billion in the Food Security Act is a maximum level for program appropriations. We have seldom been given appropriations up to the authorization level in the Food Stamp Act in the past and would not anticipate receiving the full $12 billion authorized for Fiscal Year 1987 for the simple reason that it is authorized. We feel we have proposed a very reasonable budget for the Food Stamp Program—one that will serve the needs of the low-income population without ignoring the budgetary constraints that face the entire Federal Government.

Several of the provisions included in the Food Security Act, including an increase in the assets limits, were recommendations of the President's Task Force on Food Assistance. Nevertheless, we do not believe that these increases are warranted or appropriate at this time. For example, households with earned income can deduct 18 percent of their earnings until May 1, when the deduction is scheduled to increase to 20 percent; the 18 percent deduction is adequate to cover work-related expenses for most food stamp households, which are estimated at about 16 percent of earnings. The provision in the Food Security Act to increase the shelter expense deduction is another example of an unnecessary change which would benefit relatively few households, in this case those with high shelter expenses. The Food Stamp Program already has more liberal eligibility criteria than many other assistance programs and, given current budgetary pressures, we are proposing that the recently-enacted increases in deductions and assets limits be repealed.

EMPLOYMENT AND TRAINING PROVISIONS OF FOOD SECURITY ACT

Mr. TRAXLER. The FNS proposes reducing by $20 million in fiscal 1987 alone the employment and training provisions included in the Food Security Act. Please tell me how the FNS expects states and local governments to implement this program without sufficient start-up costs and expect meaningful results toward long-term employment of Food Stamp recipients? The FNS also proposes regid performance standards under its "universal" work requirement. Please explain how these standards will impact the program. Are such standards successful as a matter of practice?

GAO report submitted to the Subcommittee on Intergovernmental Relations and Human Resources of the Government Operations Committee in July, 1985 indicates that under the AFDC program, such performance standards were highly unrealistic to work program effectiveness. Could you comment on this?

Mr. LEARD. Since Fiscal Year 1983, the Department has been operating job search through contracts with the States. Spending for each year was no more than $30 million. The Department is proposing to spend $30 million for 100 percent funding up to a certain level for each State agency to perform employment and training services. We anticipate spending significantly more than that amount on expenses which will be matched at the 50 percent level by the State, on participant reimbursement for actual expenses, and enhance workfare funding. We are unsure at this time how employnent and training funds will be allocated in Fiscal Year 1987. We do recognize, however, that States will require funds for start-up costs, and we will take that into consideration.

The Department believes that nationwide performance standards will encourage all states to make efforts to assure the success of employment and training programs. By requiring participation by significant numbers of participants, the Department believes more persons will locate employment and become self sufficient. Our research has shown us that broadly based work programs have been very effective. Our proposal would place persons into job search at the point of application thereby moving people into employment faster and quickly identifying those who need more intensive assistance. In contrast, a narrowly based program will encourage States to ignore those who need more assistance in obtaining employment.

We are in a good position to infer the success of such programs from the results of demonstration projects. Our second set of workfare and job search demonstrations both indicate the success of work programs. We have found that as the length of time persons participate in the Food Stamp Program decreases, the amount of benefits paid decreases, and the rate of employment increases with participation in work programs. The Department further believes that public confidence in the program is enhanced when work programs are meaningful and widely implemented.

Finally, you asked for our comments on the GAO report that questions the effectiveness of the work program performance standards proposed for the AFDC program, which are quite similar to those proposed for the Food Stamp Program. That report questioned the feasibility of requiring a 75 percent performance level for work programs, primarily on the basis of past records of recent AFDC work programs. These recent work programs had no requirements for serving a percentage of eligible recipients and many States chose to run small programs. It was not the case that there was a requirement that the States could not meet. We do not accept the conclusion that, because states have been serving a small percentage of their AFDC clients, this is how future work programs must operate. We believe that, given a legislative mandate, States will be able to implement the gradually escalating standards over three years in an administratively-responsible and effective manner.

WIC

Mr. **Traxler**. The fiscal 1987 budget proposal for WIC maintains current services for approximately 3.0 million persons per month. According to the latest information from USDA average monthly participation for fiscal 1985 is 3.139 million. Is the estimated average cost of $42.98 per person month (that includes food and administrative costs) expected to cover the increase in infant formula prices anticipated? Did USDA use the 3.139 million figure in calculating its fiscal 1987 budget proposal? How did USDA compute its budget proposal—based on what assumptions about WIC participation?

Mr. **Leard**. The Fiscal Year 1987 Budget was developed using an inflation increase of 4.5 percent. The estimated average cost of $42.98 per person per month would include an anticipated price increase in infant formula. The budget estimated an average per person per month cost of $42.98 which would support an estimated average participation level of about 3 million participants per month.

Mr. **Traxler**. Mrs. Smith. Welcome back.

Mrs. **Smith**. Thank you. I was not late deliberately, but Mr. Whitten was getting an important job done on the floor and he wanted me over there.

Mr. **Traxler**. Mrs. Smith, we are pleased to recognize you for such questions you may have.

Mrs. **Smith**. Thank you very much, Mr. Chairman, and I am sorry I was not here.

Have you discussed cholesterol?

Mr. **Traxler**. No. We were saving that for you.

DIETARY GUIDELINES

Mrs. **Smith**. Well, this is something I would like to bring up.

You know we had quite a difficulty a couple of years ago when the National Cancer Institute came out with something that they called dietary guidelines. There was a picture on the front page of Time Magazine showing a fried egg and a strip of bacon and a steak, and said do not eat these, refer to page so and so. Here are eight pages telling one what is likely to be wrong with eating red meat.

Well, we got that bulletin stopped and changed when they had only printed 200 copies. We also got a provision in our report saying that there would be no more dietary guidelines put out by the government without the approval of you folks. We would try to be sure that we were all united.

How is this working? Are we having any more troubles of that so-called "information" coming out without your approval and without the proper research?

Mr. **Bode**. I would like to ask Dr. Harris, who has been working very closely on this matter to add to my comments.

But let me say in general that we appreciate your concern and share in the concern that dietary guidance in general, from any part of the Federal Government, be sound and based on fact.

Red meat has a very important role to play in the American diet, and we recognize that and think that the public should be made well aware of it.

We have been working with the Department of Health and Human Services as might be expected, and I think can only reasonably be expected. We do not always agree on everything but we try to work things through.

Dr. Harris, would you like to elaborate?

RESEARCH AND EDUCATION COMMITTEE

Dr. **Harris.** Within the Department of Agriculture, we have set up a working group under one of the standing committees dealing with research and education. The purpose of this working group is to review dietary guidance material coming out of any USDA agency. Its membership is made up of those agencies from the Department that do put out dietary guidance to the general public.

As this committee begins to develop, it is anticipated that someone from the Department of Health and Human Services, where they have a similar committee, would also come to ours so that we would have a direct interchange there.

I think there has been a great deal of cooperation recently between the Institutes, the various ones, Heart, Lungs and Blood, the Cancer Institute to some extent, and some of the others in trying to understand all of the concerns regarding dietary guidance.

AMERICAN PUBLIC'S PERCEPTION OF A HEALTHY DIET

I think, however, there is a misperception among the American public as to where meat falls into a healthy diet. We have seen evidence of this in dietary data that we have collected in 1985, where there is a very sharp drop in the amount of meat, that is red meat, consumed as entrees. Now, part of this is due to convenience. People do not have the time to buy a roast and cook it. Part of it, however, is probably due to the public's perception that red meat may be harmful to them due to the linkage of red meat to fat consumption.

ADEQUATE NUTRIENTS

Our data also indicate, however, that women in this country still have a problem with iron, getting enough iron in their diet. Red meat is one of the best sources of iron that is readily available to the human body. And I think there is a need for more emphasis on the point of variety in one's diet, that lean red meat has a very important role to play in a good nutritious diet.

I think the dietary guidelines for Americans, which were revised by a panel of expert scientists, point this out. They do not say avoid meat. They point out that red meat is part of the meat group, and you should select foods from that group on a daily basis in order to get adequate nutrients.

I think in terms of our ability to communicate to the general public, we have this concern, the one you raised. It certainly is on our minds in USDA. We are working with the Department of Health and Human Services to make sure that it is on equal footing in both departments.

There is still, however, this public perception, and that will be difficult to deal with.

NUTRIENT CONTENT OF MEAT

Mrs. **Smith.** I am very glad to have these comments, and I am glad to have them in the record. I will make use of them out in my district.

I feel, unfortunately, Dr. Harris, that government has been responsible for some of this perception and some of this fear about red meat without having the thorough research to back it up.

Now, I would like you to do this: are you folks doing research on the difference in fat content and the difference in cholesterol now that both our pork producers and our beef producers are putting great emphasis on lean meat, trimming very carefully, and reducing the marbling and so on? Do you have the facts on this?

Dr. **Harris.** Yes, Ma'am. We are able to collect those as soon as they are available. We have put out a number of pieces of information, one of which I have with me, what we call a provisional table. This lists just the fatty acid and cholesterol content of selected foods. Obviously, these are animal products, since that is what contains cholesterol.

The Handbook 8 chapters on these are being revised to include new data that is available for the fat, cholesterol and other nutrient contents of beef and other products.

As far as the pork is concerned, as soon as those data nutritive values were available, they went into our data bank and were immediately available for use in computing the various nutrient contents of selected pork cuts.

LIVESTOCK AND MEAT BOARD

I believe that the Livestock and Meat Board has used some of this data and some of their own data in putting out their nutrifacts advertisement campaign with fresh meat in various supermarkets. They are now able, based on USDA data and some of their own data, to list for the consumer the nutrient content of the various cuts of fresh meat.

This is something they took on themselves and I think very wisely to combat some of the misinformation that is available to the general public.

CHOLESTEROL AND RED MEAT

Mrs. **Smith.** What are the cholesterol facts as they relate to red meat?

Dr. **Harris.** HNIS compiles data on the cholesterol content of foods and publishes this information in reports targeted for both technical audiences and consumers. Cholesterol is present in all foods of animal origin and is especially high in egg yolks and organ meats. The HNIS data show that differences in cholesterol among beef, lamb, fresh pork, veal, and chicken are small. A three-ounce serving of these cooked meats provides from 70 to 85 milligrams of cholesterol, or about one-fourth of the 300 milligrams daily that is considered to be an appropriate intake by some authorities. Cholesterol is found in both the fat and the lean parts of meat.

CHOLESTEROL DATA

Mrs. SMITH. Do you collect and compile this cholesterol data?

Dr. HARRIS. HNIS, through its National Nutrient Data Bank, collects and compiles nutrient data, including cholesterol. The nutrient data available on red meat is the most recent that is available. In the late 1970's and early 1980's HNIS cooperated with the Agricultural Research Service and the Livestock and Meat Industry in sponsoring two major studies on the nutrient composition of beef and pork. In addition, HNIS in cooperation with the Agricultural Research Service has sponsored studies on the nutrient composition of veal and lamb.

The results of the pork study were reported in the revision of Agriculture Handbook No. 8, "AH-8-10, Pork and Pork Products," released in 1983. The revised section on beef, "AH-8-13, Beef Products," is due to be released in May 1986. The Agency has made the beef data available to the Livestock and Meat Board for inclusion in "Nutrifacts" which was released in late 1985. The new data on veal and lamb will be included in "AH-8-17, Lamb, Veal, and Game," which is scheduled for release in summer 1987. In addition to these data, "AH-8-7, Sausages and Luncheon Meats," released in 1980, contains the most recent nutrient data on these products.

ACCURACY OF RED MEAT INFORMATION

Mrs. SMITH. What efforts are you taking to insure that information regarding red meats that has been released by the National Cancer Institute is mutually agreed upon by USDA and HHS as to its accuracy?

Dr. HARRIS. HNIS conducts studies that testify to the fact that red meat is an important provider of many nutrients and plays an important role in a nutritious diet. The Agency's published materials and cooperative efforts with DHHS and others continue to stress these facts. Cooperation between HNIS and the National Institutes of Health--the Heart, Lung, and Blood Institute and the Cancer Institute, for example—has been increased to try to communicate these dietary guidance concepts.

The Dietary Guidelines for Americans, published jointly by USDA and DHHS in 1980 and 1985, is used by the two Departments as the basis for dietary guidance. Red meat is mentioned in relation to two of the seven Dietary Guidelines for Americans.

The first guideline, "Eat a Variety of Foods," is part of the framework of a good diet. Meat, poultry, fish, eggs, and dry beans and peas are a major food group and Americans are advised to select foods each day from each of the major food groups to assure variety and with it, a well-balanced diet. Meats, poultry, fish, and eggs are listed as sources of protein, fat, iron and other minerals, as well as several B-vitamins.

The guideline to "Avoid Too Much Fat, Saturated Fat, and Cholesterol" is a characteristic of a good diet. As stated in the publication, the guideline is not meant to prohibit use of any food or to prevent eating a variety of foods. "Many foods that contain fat and cholesterol also provide high quality protein and many essential vitamins and minerals." Practical suggestions for following the guideline include moderating use of table and cooking fats; choosing lower fat dairy products; broiling, baking, or boiling rather than frying; choosing lean meat, fish, and poultry; and trimming the fat off meat.

USDA shortly will release seven minibulletins, one on each guideline, which will provide practical information to help Americans implement the Dietary Guidelines. The importance of meat as a source of nutrients will be stressed along with advice on how to choose and prepare meat in ways that reduce fat intake. Iron is identified as a problem nutrient in diets of many toddlers, teenagers, and women of childbearing age and meat is identified as a rich and available food source of iron.

The Secretaries of Agriculture and Health and Human Services have stated that Dietary Guidelines for Americans will form the basis of their dietary guidance messages for healthy Americans. To assure that all agencies within USDA are complying with this goal, USDA has formed a Dietary Guidance Working Group under its Subcommittee for Human Nutrition. DHHS has a similar group and liasions are in the process of being established.

Mrs. **SMITH**. And now with the new Farm Bill, we will have the beef and pork promotion which ought to be helpful in all of this.

INFORMATION SERVICE TO CONSUMERS

It is good information that you are making available. What are the avenues to make this available so that the public reads it and knows?

Dr. **HARRIS**. Dietary guidelines are available free to the public through the Consumer Information Center in Pueblo, Colorado. We have other publications which are available at nominal cost to the Government Printing Office, such as the Home and Garden Bulletin 72; the Nutritive Value of Foods, which includes the most commonly used foods. That one has just been revised and is available through the Government Printing Office. It is primarily used by dietitians and other people who are planning diets, either in an institutional setting or in a personal counseling setting.

We are trying to get this information out as quickly as we can because I think it is important information that the public needs.

Mr. **BODE**. Mrs. Smith, if I may add, the information that is provided dietitians can have a multiplied effect.

Mrs. **SMITH**. I understand that.

Mr. **BODE**. In many cases they are teaching classes and working with others, and so we feel that is an important avenue.

HARVARD STUDY OF HUNGRIEST U.S. COUNTIES

Mrs. **SMITH**. A recent Harvard study claims to identify the 150 "hungriest" U.S. counties, including some in my district. Would you care to comment on this study.

Mr. LEARD. I understand the General Accounting Office will shortly release an independent assessment of the technical merits of this report. Our own assessment indicates that the Hunger Counties 1986 study is flawed, not only methodologically, but conceptually. If you take a close look at the report you will notice it is not about hunger at all. This is surprising, given the report's title. Nowhere does the author talk about whether people in these supposed hunger counties actually had enough to eat. The report basically examines participation in the Food Stamp Program, and does a poor job at that.

First, the report makes the common error of comparing annual figures on income with monthly figures on program participation. The Food Stamp Program serves nearly 75 percent more people over the course of a year than it serves in any given month.

Second, choosing to examine areas of relatively low participation may be misleading by focusing so much attention on small, rural counties. A very different picture would emerge if the emphasis were placed on counties with relatively large numbers of non-participations. If the study had identified those counties with the greatest number of eligible non-participants (a reasonable alternative to the approach used), most, if not all, of the identified counties would have been large and urban.

We concur with the President's Task Force on Food Assistance that there are a "range of different problems, having different causes and demanding different treatment, that contribute to what is known abstractly as the problem of hunger." By focusing solely on one aspect of one program, the report detracts from serious efforts at combating hunger in America.

FOOD STAMP PROGRAM MANAGEMENT IMPROVEMENT

Mrs. SMITH. What are your current efforts to improve management of the Food Stamp Program? (Fraud, waste, and abuse are important concerns of the President as well as those on my Committee)

Mr. LEARD. In Fiscal Year 1986, we have established several goals for improving program management. We hope to improve program accountability through targeted Management Evaluation reviews of priority areas; to reduce issuance losses; to improve compatibility of food stamp and AFDC rules; to provide technical assistance to States to achieve error rate reductions; to increase food stamp recipient claims establishments and collections; improve the cost-effective utilization of enhanced funding for fraud investigations and prosecutions; and to improve Agency's effectiveness in identifying and taking appropriate action against stores which violate program regulations.

Mrs. SMITH. What evidence of success do you have?

Mr. LEARD. Measurements of program integrity are all showing positive trends. I will supply additional information for the record.

[The information follows:]

The number of fraud hearings held increased 29% between Fiscal Year 1984 and Fiscal Year 1985, and more than quadrupled between Fiscal Year 1981 and Fiscal Year 1985. The number of persons disqualified for intentional program violations (through judicial or administrative hearings) increased from 4,526 in Fiscal Year 1981 to 26,656 in Fiscal Year 1984 to 38,170 in Fiscal Year 1985.

The number of recipient claims collected increased 36% between Fiscal Year 1984 and Fiscal Year 1985 to $42.6 million. Since 1981, recipient claim collections have almost quadrupled.

Issuance losses are down. Between Fiscal Year 1984 and Fiscal Year 1985, the Authorization to Participate (ATP) loss rate declined from 0.06% to 0.05% and the mail issuance loss rate declined from 0.32% to 0.29%. The Fiscal Year 1981 loss rates were 0.1% for ATP's and 1.07% for mail. If these rates had continued, losses would have been $49 million in Fiscal Year 1985 instead of $13 million—a $36 million savings.

We expect the payment error rate to be lower in Fiscal Year 1985 than in Fiscal Year 1984 when it was 8.6%. This is down from 9.9% in Fiscal Year 1981.

IMPACT OF FNS STAFF REDUCTIONS ON MANAGEMENT IMPROVEMENT

Mrs. **Smith**. I understand the Food and Nutrition Service staff has declined since 1980 by about 25%. Does this present a barrier to continued management improvement?

Mr. **Leard**. This Agency has reduced its staff over time while maintaining and expanding its level of services. This lower staffing level does point up the need to replace outdated computer equipment and improve data quality and timeliness by updating our equipment and taking full advantage of new telecommunications technology transmission capabilities. Such an equipment investment will enable FNS to achieve even more effective staff utilization and further management improvement.

Mrs. **Smith**. Mr. Chairman, if I may be excused, I need to go over to the Water and Energy subcommittee because they are figuring on doing something to our power marketing out in the Midwest, which is of great concern.

Mr. **Traxler**. Thank you, Mrs. Smith.

Our distinguished colleague from Oklahoma.

AGRICULTURAL MARKETING SERVICE

Mr. **Watkins**. Thank you, Mr. Chairman.

I am very glad to have all of you here. I do not know who can answer my questions, but let me begin.

I think we have not played as great a role with our nutrition information and activities as is needed in marketing agricultural products. I have been following this quite closely.

What work have you done in conjunction with the Agricultural Marketing Service on this topic?

Dr. **Harris**. The Agricultural Marketing Service is represented on the Human Nutrition Subcommittee, which is a standing committee within the Department. All of the agencies that work together on this subject——

Mr. **Watkins**. I guess we can have a lot of committees, but someone must take responsibility.

Dr. **Harris**. Now, what this committee is supposed to do is to allow interchange of activities and ideas between the various agencies of the department.

AGRICULTURAL RESEARCH SERVICE

Other groups, such as the Agricultural Research Service, which do the actual human nutrition research, are members of the committee. Thus, AMS would have access to the information that the

Department has collected. They certainly have direct access to the information that HNIS provides in terms of food consumption.

We have worked with them in the dietary guidance area.

MARKETING IMPROVEMENT

Do you conduct research on how to improve the marketability of agricultural products?

Dr. **Harris**. The Agricultural Research Service does that, yes, sir. Not through the Human Nutrition Information Service.

Mr. **Watkins**. It is just information coding?

Dr. **Harris**. We collect data on what foods are consumed by the American public and then that allows people like the Agricultural Marketing Service to understand what foods they should be looking into.

Mr. **Watkins**. All right.

IRRADIATION RESEARCH

What have you done in conjunction with some of the research that has been done on irradiation? Have you released any information on that?

Dr. **Harris**. Not through our agency. That would come under the Food Safety and Inspection Service, because they have the regulatory power either to allow irradiation products on the market or not. They use the Agricultural Research Service's data base for information regarding what irradiation might do to food.

NUTRITION VALUE OF IRRADIATED FOOD

Mr. **Watkins**. Well, what have you done in any way, shape or form in looking at the possibility that the nutrition value of food can be altered by use of irradiation?

Dr. **Harris**. There is a body of research, a lot of it very old, that was done a long time ago.

AGENCIES' INTERACTION ON IRRADIATION RESEARCH

Mr. **Watkins**. Well, what have you done with some of the other agencies?

Dr. **Harris**. Human nutrition research?

Nothing, other than we are aware of the information they are collecting and putting out.

IRRADIATED FOOD

Mr. **Watkins**. Do you think that there is a void, by not taking a position on that. If it is going to be a valuable marketing tool we must show some initiative. A lot of countries are not utilizing our food grains or our various products that have used pesticides and fungicides.

It is my understanding that a number of countries have been using and will import foods that have been treated by irradiation.

Dr. **Harris**. That is correct. And I think that will be something that you will see increasing in this country as we get over the regulatory hurdles of what we will call it and how it will be packaged.

HNIS ROLE WITH IRRADIATED FOOD

Mr. **Watkins**. I am interested in how you propose to do it from your agency.

Dr. **Harris**. Well, the only role that the agency would directly have is in putting out information on irradiated foods if the nutrient content of that food were to change. To date, there is very little information to indicate that it would. There is some concern about certain B vitamins that, if food were treated for a long period of time, there might be a drop in thiamin and some others—perhaps other B vitamins.

ARS is doing the research on their own and working with FSIS. As data becomes available, HNIS will incorporate it in the National Data Bank. We would certainly make that information available to the public.

We do not have a specific role to play in the regulation of irradiated food.

Mr. **Watkins**. No. I know that. But, I think you have a role that you can play in showing the fact that it is nutritional. To my knowledge, it is not harmful.

Dr. **Harris**. Right. We would be happy to take that and try and work on it.

Mr. **Watkins**. Would you do that? Because I believe in the value of all the information, all that you could put out. I think it would add a great deal of credibility to this technology. I think many of our people, homemakers and others, would welcome the information from you on that.

Dr. **Harris**. We will be happy to do that.

Mr. **Watkins**. I think we have got tremendous potential in this country and around the world. But we need, I think, to have a little more active role in providing some information on this. I think that is something that you all could do.

REDUCTIONS IN CHILD NUTRITION PROGRAMS

Mr. **Watkins**. Your proposed cuts in Child Nutrition Programs is quite disturbing to me. The President's proposal would create many problems in the State of Oklahoma. At present a 17% budget reduction in state funding is imminent. At a time when we are experiencing a loss of funds at the state level, it becomes more critical to also be faced with further loss of federal funds.

Just taking the federal cuts into perspective, one of the best estimates indicates that at least 50,000 students per day would be eliminated and 120 to 125 school districts would cease participation in the program. The loss of federal funds is estimated at over $7 million. What would this cut do to student participation nationwide?

Mr. **Leard**. Recent data show that only a small proportion of NSLP meals are served in schools with predominately non-needy students. Even if we factor in a loss of revenue caused by fewer meals served due to higher prices, the schools most affected by the proposal, those with 80 percent or more non-needy participants will still retain 66 percent of their total Federal reimbursement plus the revenues which are paid by non-needy children. If we focus solely on Federal subsidies, Oklahoma would retain 83 percent of total cash and commodity subsidies.

In addition to having little impact on schools we do not see this proposal putting a great burden on the families of middle and upper income children. These children come from families with incomes greater than 185 percent of poverty. The March 1985 Current Population Survey shows that for households of four persons above 185 percent of poverty the median income is over $37,000 annually. Certainly these households can afford to pay moderate increases—at most 25 cents—per meal.

Mr. WATKINS. What alternatives do you propose for these students to have a nutritious meal.

Mr. LEARD. We do not believe that the elimination of the non-needy school lunch subsidy will interrupt the service of nutritious school meals for several reasons. First, most non-needy children now purchasing meals will probably continue to participate in the program. Last year the average cost of a school lunch is estimated to have been about 85 cents. Since the benefit reduction in this proposal would increase the cost by, at most, 25 cents, the average School Year 1986–87 cost would be about $1.10 per meal. Considering that the March, 1985, current population survey showed that the median income for a family of four with income greater than 185 percent of poverty was more than $37,000 in 1984, we believe the school lunch would continue to be a good bargain for middle and upper income families compared to the price of alternate lunches of similar nutritional value. Second, most schools will retain most of their subsidies and stay in the program. Those schools most affected by the proposal (those with 80 percent or more non-needy participants) would retain 66 percent of their current subsidies plus revenues from paying children.

Mr. WATKINS. Isn't this the only meal that many of these students will get all day long? What will these 50,000 students in Oklahoma and countless other students do when it comes to good nutrition?

Mr. LEARD. We do not expect a decline in school/student lunch participation as a result of eliminating the non-needy subsidy. Free and reduced price meals for students would continue to be available. Subsidies for free and reduced price meals would continue to help pay for basic operating expenses such as kitchen staff and overhead. Schools with up to 40 percent non-needy participation would retain over 90 percent of their National School Lunch Program benefits and even those with 80 percent paid participation would retain about two-thirds of their current subsidies. Upper income children would still be able to purchase a complete meal or a la carte meal and would benefit from lower prices due to the presence of Federal support. All meals will continue to be provided bonus commodities.

Mr. WATKINS. Thank you Mr. Chairman.

CHILD NUTRITION PROGRAM ROLLOVER.

Mr. TRAXLER. Mr. Bode, a couple of points. First, can you tell us, because of the rollover in the 1980 Child Nutrition Program, what you anticipate your shortfall in funding in the Child Nutrition Program will be at the end of the 1985 fiscal year?

Mr. **Leard**. It would be about $125 million.

Mr. **Traxler**. And what would you anticipate that figure to be for the fiscal year '86?

Mr. **Leard**. The same.

Mr. **Bode**. Sir, your first question we understood to be asking about '86. Did we misunderstand the question?

Mr. **Traxler**. Actually it was '85.

Mr. **Leard**. '85 is $125 million and the same for '86.

Mr. **Traxler**. It is a constant figure.

Mr. **Leard**. No it has gone up and down in previous years. Over the last year it has dropped.

CSFP TRANSFER TO CCC

Mr. **Traxler**. I want to come back to the $3.95 million CSFP transfer to the CCC account. The Committee is disturbed with that because it is an issue of some principle to us. We are going to find ways to get you to get the money back.

And in view of the report language put in the Conference Report on CCC, will you request that they return that money to the CSFP account?

Mr. **Bode**. I am afraid I am at a disadvantage having not seen that language, sir.

Mr. **Traxler**. What the language says is please do not do anything until the appropriate committees in the Congress have had a chance to review the proposal.

Mr. **Bode**. Well, frankly, Mr. Chairman, I——

Mr. **Traxler**. Let me explain all of 3.9——

Mr. **Bode**. I guess I am just going to have to get the language in hand, confer with my colleagues, and get back to you on it.

I apologize for not being responsive today.

Mr. **Traxler**. We will do everything we can to facilitate such a transfer back and may even find another vehicle to put some more language in.

And we appreciate your appearance here today. We would not want you to think that only because you have been here a little less than 60 minutes actually testifying that what you do is not important to members of this Committee.

Your clientele really are the politically voiceless in this Nation. They do not have any lobbies, and they certainly do not have any PACs. So you are really doing the Lord's work out there. And we appreciate the fact that you work under difficult conditions. All decisions are not made by you. Each of us has to answer to other masters.

But I would hope that there is a realization that they are the needy and that they do need attention, and that it is a legitimate function of this government to assume. That is one legitimate function for this government to assume.

I have enjoyed, and the Committee has I think, a pleasant relationship with the people on your staff, and we hope that that can continue as long as we all have the same goals and aspirations in mind for your work, and I am sure that we will.

Mr. Bode. Thank you, sir.

We feel very seriously about the comity between branches that you referred to earlier and want to do what we can to respect that.

Mr. Traxler. I hope you can be successful in convincing OMB of the necessity.

Mr. Bode. Well, we work with them, and I am pleased to work with them, sir.

Mr. Traxler. Said like a loyal soldier. Mr. Whitten.

FOOD SECURITY ACT OF 1985

Mr. Whitten. Please provide for the record a list of the changes in the domestic food programs made by the Food Security Act of 1985, including, by program, a brief statement on the nature of the change and an estimate of the impact on program funding.

Mr. Leard. We will provide a list of changes for the record.

[The information follows:]

TITLE XV — FOOD STAMP AND RELATED PROVISIONS

Section 1501 Publicly operated community health centers

- Permits residents of these centers to participate in the Food Stamp Program and permits these centers to be authorized to accept coupons.

Section 1502 Determination of food sales volume

- Bases application staple foods test for applicant retailers and wholesalers on methods customary or reasonable to the industry.

Section 1503 Thrifty Food Plan

- Changes upper age range of adults in reference family from 54 to 50.

Section 1504 Definitions of the disabled

- Expands definition to include recipients of supplemental SSI benefits, nonservice - connected veterans disability benefits, government disability retirement benefits, and Railroad Retirement disability benefits.

Section 1505 State and Local Sales Taxes

- Prohibits participation by States in which sales tax are assessed on food stamp transactions effective no later than 10/1/87.

Section 1506 Relation of Food Stamp and Commodity Distribution Programs

- Repeals ban on dual commodity distribution/Food Stamp Program operations.

Section 1507 Categorical Eligibility

- Makes households in which all members receive AFDC, SSI, or other disability payments eligible for food stamps (subject only to the provisions on institutional status, work requirements, fraud disqualification, and SSI cash-out) through FY 89.

- Prohibits termination of food stamps solely on basis of termination of participation in ~~other~~ another program.

- Requires USDA to conduct study within 2 years.

Section 1508 Third Party Payments

- Provides that third-party payments on behalf of a household by a State or local government is income to the household if the payment is in lieu of payments for living expenses under AFDC or a general assistance program.

Section 1509 Excluded Income

- Extends exclusion for tuition and mandatory fees paid for by educational assistance to students at institutions of post-secondary education.

- Prohibits any portion of nonfederal educational assistance provided for living expenses to be excluded as a reimbursement; prohibits any portion of Federal assistance above that used for tuition and mandatory fees from being excluded as a reimbursement; prohibits any portion of educational assistance provided for living expenses from being excluded as a vendor payment.

- Permits farm self-employment losses to be offset against non self-employment income.

- Permits earnings from JTPA to be counted, except for dependents under age 19.

Section 1510 Child Support Payments

- Allows States to exclude from income child support payments excluded under AFDC if the State pays for the cost of additional benefits paid because of this exclusion.

Section 1511 Deduction from Income

- Raises earned income deduction from 18 to 20 percent.
- Deletes references to "homeownership component" of shelter costs in the CPI.
- Uncouples child care and shelter deductions.
- Raises excess shelter cost deduction limit to $147.
- Raises child care deduction to $160 (not indexed).
- Permits States to use separate standard utility allowances (SUA's) for households which get LIHEAA payments and other households, or to give a full SUA to all households.
- Households may switch between SUA's and actual expenses at the end of certification periods and one other time a year.

Section 1512 Income from Self-Employment

- Requires self-employment income to be calculated on the basis of anticipated earnings if prior self-employment income does not reflect actual circumstances.

Section 1513 Retrospective Budgeting and Monthly Reporting Simplification

- Limits mandatory MR/RB to households with earnings or recent work history.
- State agencies may seek Federal approval to allow households required to report monthly to report less frequently.
- MR/RB is optional to the States for other households (except for migrant farmworker and certain elderly households).

Section 1514 Resources Limitation

- Asset limit raised from $1500 to $2000 for nonelderly households.
- $3000 asset limit for elderly extended for one-person households.
- Secretary allowed to change regulations on inaccessible resources.
- Property necessary to maintain a vehicle excluded from the fair market value test is excluded from the assets test.
- One burial plot for each household member is excluded.

Section 1515 Disaster Task Force

- Secretary shall establish a Disaster Task Force and send its members to the disaster area to provide assistance when cost-effective.

Section 1516 Eligibility Disqualifications

- Disqualifies only the violating member is a non-household head violates a work requirement.
- Extends work requirements to 16 and 17 year old household heads who are not attending school or enrolled in a training program or at least a half-time basis.
- Expands exceptions to student ineligibility to include people assigned to college by a JTPA program.
- Updates references to Immigration and Nationality Act.

Section 1517 Employment and Training Program

- Requires all States to implement an employment and training program (ETP) approved by the Secretary by April 1, 1987.
- Employment and training components include job search, job search training, workfare, employment or training experience, or other projects approved by the Secretary.
- State agencies may exempt individuals or categories of individuals from the ETP. Exemption of persons that have participated for under 30 days requires Department approval.
- State agencies shall establish individual requirements for ETP participation. Requirements may vary among individuals, but hours may not exceed (1) for all household members, the quotient of the household allotment divided by the minimum wage, or (2) 120 per person (including both ETP participation and other hours worked by compensation).
- States may allow people to voluntarily participate in ETP.
- State agencies are to reimburse participants for expenses. Reimbursement may be limited to $25 per person per month.
- ETP's are to be compatible with other work programs and provided for Indians on reservations.
- Secretary shall establish variable State performance standards; not to exceed 50 percent of nonexempt persons. Standards shall reflect program component costs and household characteristics.
- Secretary may withhold administrative funding if a State fails to meet a work program requirement.
- Funding grants for ETP operations only:
  FY 86: $40 M
  FY 87: $50 M
  FY 88: $60 M
  FY 89: $75 M
  FY 90: $75 M

- 50% cost sharing for State expenses above grant levels.
- Federal funding for participant reimbursement must be matched by State and may not exceed $12.50 per person per month.
- Secretary to report to Congress by 1/1/89.
- Workfare participation may be required of a 16 or 17 year old household head not enrolled in school or employment training.
- Workfare obligations of an AFDC/FS recipient may be based on the combined AFDC grant and food stamp allotment of the household.

Section 1518 Staggering of Coupon Issuance

- State agencies may stagger issuance over entire month.
- No household may go more than 40 days between issuances.
- Any household applying for and receiving benefits in the last 15 days of a month must get its next allotment by the 8th day of the next month or by 5 working days after verification is completed.

Section 1519 Alternative Means of Coupon Issuance

- Requires (rather than allows) Secretary to require States to adopt alternative means of coupon issuance to improve program integrity.

Section 1520 Simplified Applications and Standardized Benefits

- Authorizes simplified application/standardized benefit programs for households in which all members receive AFDC, SSI or Medicaid and which meet the gross income test.
- Programs limited to 5 statewide and 5 local.
- Political subdivisions may apply for local programs.
- Average allotments may not be less than what would be provided under regular procedures.

Section 1521 Disclosure of Information Submitted by Retail Stores

- Food stamp retailer information may be shared with WIC State agencies.

Section 1522 Credit Unions

- Allows credit unions with food retailers or wholesalers in their field of membership to redeem coupons.

Section 1523 Charges for Redemption of Coupons

- Prohibits financial institutions from imposing a redemption fee on retail food stores which submit coupons in accordance with Federal Reserve requirements (other than cancellation).
- Requires Secretary to consult with Federal Reserve System in developing regulations.

Section 1524 Hours of Operation

- Requires the Secretary to establish standards for State agencies' periodic reviews of the adequacy of their food stamp offices' hours.

Section 1525 Certification of Information

- Requires one adult household member to certify, under penalty of perjury, the accuracy of information provided in applications and periodic reports.

Section 1526 Fraud Detection

- Requires fraud units for detecting, investigating, and assisting prosecutions in project areas with 5000 or more participating households.

Section 1527 Verification

- Removes the restriction on eligibility factors mandated to be verified (currently only nonexcluded income and those determined by the Secretary).
- Enacts the requirement that questionable household size be verified.
- Authorizes State agencies to identify additional eligibility factors to be verified.

Section 1528 Photographic Identification Cards

- Requires photo IDs only in project areas where the Secretary and OIG find they will be cost-effective as well as useful in protecting program integrity.
- Authorizes State agencies in such project areas to accept photo IDs of other welfare/public assistance programs.

Section 1529 Eligibility of the Homeless

- Requires State agencies to provide a means for certifying and issuing food stamps to eligible homeless people.
- Requires State agencies to ensure that only eligible homeless people participate.

Section 1530 Expanded Food and Nutrition Education Program

- Requires State agencies to encourage food stamp recipients to participate in EFNEP.
- Requires State agencies, upon request of EFNEP personnel and where practicable, to place EFNEP personnel and materials in food stamp offices.

Section 1531 Food Stamp Program Information and Simplified Application at Social Security Administration Offices

- Extends SSI joint processing provisions to households in which all members are SSI applicants or participants.
- Expands SSI joint processing to include information about the availability of benefits and assistance in applying.
- Revises joint processing for social security applicants/recipients to require information about the availability of benefits and of a simple application.

- Requires USDA and DHHS to revise the joint processing memorandum of understanding to insure that these provisions are met and that DHHS receives reimbursement from USDA for its costs.
- These provisions are effective October 1, 1986.
- Requires a report by April 1, 1987, from USDA to the Congressional Committees on the nature and extent of DHHS' joint processing costs.

Section 1532 Retail Food Stores and Wholesale Food Concerns

- Converts the time remaining in the disqualification period of any store that is sold or transferred to a civil money penalty.
- Considers a permanent disqualification to be equivalent to twice the penalty for a ten-year disqualification.
- Continues the disqualification in effect for the disqualified owner.
- Authorizes USDA to seek judicial action to collect the penalty.
- Forbids courts, in such event, from reviewing the validity or amount of the penalty.
- Denies authorization to a non bona fide buyer/transferee until the civil money penalty is paid.
- Does not require a bona fide buyer/transferee of a disqualified store to furnish a bond prior to authorization.

Section 1533 Liability for Overissuance of Coupons

- Requires that every adult household member is liable for the value of overissuance.

Section 1534 Collection of Claims

- Requires State agencies to pursue other means of collecting fraud claims unless those means are not cost effective.

Section 1535 Food Stamp Intercept of Unemployment Benefits

- Authorizes State agencies to recover uncollected fraud claims through intercepting unemployment compensation (UC) benefits.
- State agencies could accomplish UC intercepts by agreement with individuals or by obtaining court orders.
- Amends the Wagner-Peyser Act and the Social Security Act to authorize providing UC information to food stamp State agencies, requiring UC applicants to disclose uncollected fraud overissuances, and withholding amounts from UC benefits for food stamp claims collection purposes.
- Requires food stamp State agencies to reimburse UC State agencies for their administrative costs from the intercepts.
- Permits State agencies to retain 50 percent of UC intercept recoveries.

Section 1536 Administrative and Judicial Review

- Pegs granting judicial stays to likelihood of prevailing as well as irreparable injury.

Section 1537 State Agency Liability, Quality Control, and Automatic Data Processing

- Excludes from State agencies' error rate liability errors caused by using Bendex/SDX data.
- Requires State agencies to submit quality control data expeditiously.
- Requires USDA to notify State agencies of their error rate liability by June 30 of each year and initiate collection action by September 30, subject to the completion of administrative and judicial reviews.
- These three provisions are effective beginning with Fiscal Year 1986.
- Requires USDA with State agency assistance, to develop a model ADP plan for public comment as a proposed rule by October 1, 1986, with a final rule by February 1, 1987.
- Requires each State agency that does not already have sufficient computerization, to submit a plan by October 1, 1987, for automating its Food Stamp Program.
- Requires State agencies to begin implementation of their ADP plans by October 1, 1988, and to complete implementation in accordance with time frames included in their plans; these deadlines could be extended by USDA for good faith on the State agency's part.
- Requires USDA to report to Congress by April 1, 1988, on the degree and sufficiency of each State agency's actual or planned automation, including additional steps needed. (Periodic updates of the report are also required.)
- Authorizes the Secretary to require State agencies to take specific computerization steps for rectifying identified administrative shortcomings.
- Extends injunctive relief to State agencies' failure to comply with ADP plan requirements.

Section 1538 Quality Control Studies and Penalty Moratorium

- Requires USDA to study the QC system, focusing on how the system can provide (1) State agencies information on improving administration and (2) reasonable data for establishing each State agency's error rate liability.
- Requires a concurrent contracted study by the National Academy of Sciences.
- Requires a report to Congress, on both studies by one year after enactment of the 1985 Farm Bill.
- Imposes a six-month moratorium on administrative funding reductions due to error rate liabilities, beginning upon enactment of the legislation; QC data collection and error rate calculation would continue during the moratorium.

- o Requires publication of regulations by 18 months after enactment restructuring the QC system based on USDA's and the National Academy of Sciences' studies and establishing criteria for recomputing prior liabilities using the new system.

- o Requires implementation of the new QC system and reductions in administrative funding for error rate liabilities based on the new system for current and past periods beginning two years after enactment.

Section 1539 Geographic Error-Prone Profiles

- o Authorizes USDA to use QC data to identify project areas where excessive error rates impair program integrity and to require State agencies to implement new or modified certification procedures in those project areas if they are cost-effective.

- o Requires an annual report to the Agriculture Committees on any project areas identified under this provision and any procedures required to be implemented.

Section 1540 Pilot Projects

- o Extends SSI cash-out through Fiscal Year 1990, on State agency request.

Section 1541 Authorization Ceiling; Authority to Reduce Benefits

- o Sets authorization limits at:
  $13.037 billion for Fiscal Year 1986
  $13.936 billion for Fiscal Year 1987
  $14.741 billion for Fiscal Year 1988
  $15.435 billion for Fiscal Year 1989
  $15.970 billion for Fiscal Year 1990

- o Ties allotment reduction for insufficient funding to these authorized amounts.

Section 1542 Transfer of Funds

- o Prohibits the transfer of funds authorized under the Food Stamp Act to OIG or OGC, effective with Fiscal Year 1987.

Section 1543 Puerto Rico Block Grant

- o Sets future funding for Puerto Rico's Nutrition Assistance Program at the following levels:
  $852.750 million for Fiscal Year 1987
  $879.750 million for Fiscal Year 1988
  $908.250 million for Fiscal Year 1989
  $936.750 million for Fiscal Year 1990

- o Deletes the requirement that a single State agency must be responsible for administering Puerto Rico's Nutrition Assistance Program.

Section 1561 Transfer of Sec. 32 Commodities

o Permits selected recipient agencies to transfer Sec. 32 commodities to another Agency.

Section 1562 Commodity Distribution Programs

o Reauthorizes the Commodity Distribution Programs through 1990 and sets age for children in summer camps at 18 years or under.

o Reauthorizes the Commodity Supplemental Food Program (CSFP) and the elderly pilot projects through 1990. Requires approval of new site applications if funding is sufficient without reducing current caseloads. Permits CSFP Agencies to serve low-income elderly if possible without reducing service to women, infants and children. Modifies administrative funding formula to include all donated commodities.

Section 1563 Emergency Feeding Organizations

o Defines emergency feeding organizations in TEFAP.

Section 1564 Temporary Emergency Food Assistance Program (TEFAP)

o Permits inclusion of Sec. 32 commodities in TEFAP distribution. Requires semiannual report on types and amounts of commodities to be made available.

Section 1565 Repeal of Provisions on Food Security Wheat Reserve

o Repeals provisions relating to Food Security Wheat Reserve

Section 1566 Report on Commodity Displacement

o Requires annual report on TEFAP displacement of commercial sales.

Section 1567 Distribution of Commodities to Special Nutrition Projects; Processing Agreements

o Specifies commodities for Special Nutrition Projects.

o Reauthorizes National commodity Processing through June 30, 1987.

Section 1568 State Cooperation

o Requires encouraging distribution of TEFAP commodities in rural areas.

o Permits States to have cooperative agreements for organizations with overlapping boundaries. Permits interstate transfer of commodities.

Section 1569 Authorization for Funding and Related Provision

o Provides $50 million for TEFAP administration, except that most States must match, in cash or in kind, the portion of funds not distributed to emergency feeding organizations or for their direct expenses.

Section 1570 Reauthorization

o Reauthorizes TEFAP through September 30, 1987.

Section 1571 Report

o Requires TEFAP characteristics report due to Congress on April 1, 1987.

Section 1581 School Lunch Pilot Projects

o Extends period for pilot project sites to receive cash or commodity letters of credit through June 30, 1987.

Cost Summary of ~~Conference agreement on Farm Bill~~ The Food Security Act of 1985

Provision	Cost Implications (in millions)					
	1986	1987	1988	1989	1990	1991
Food Stamp Program						
Disability definition	0	1	1	1	1	1
Job Training Partnership Act ~~JTPA~~	-20	-48	-48	-48	-48	-48
Offset net losses from self-employment against other income	0	2	2	2	2	2
20% earnings deduction	23*	57	57	58	58	58
$147 shelter cap	14*	34	33	33	37	36
$160 dependent care cap	9*	21	21	21	21	20
Increase asset limit $2000 (nonelderly)/ $3000 (elderly)	23*	77	119	123	125	126
Employment program						
Admin. costs	10	27	67	122	124	126
Benefits	-6	-18	-55	-109	-112	-115
Require SSA to provide all SSI/SSA applicants with FSP information	0	1	1	1	1	1
ADP development	0	1	2	5	5	5
FSP Subtotal	**53**	**155**	**200**	**209**	**214**	**212**
Nutrition Assistance ~~Grant~~ for Puerto Rico						
Increase NA~~G~~PR	0	28 [redacted]	55 [redacted]	83 [redacted]	112 [redacted]	151 [redacted]
NAPR ~~PR~~ Subtotal	**0**	28 [redacted]	55 [redacted]	83 [redacted]	112 [redacted]	151 [redacted]
Commodity Programs						
Extension of elderly pilot projects (CSFP)	3	3	3	3	3	3
Reauthorization of TEFAP thru 1987	50	50	0	0	0	0

Provision	Cost Implications (in millions)					
	1986	1987	1988	1989	1990	1991
National commodity Processing agreements	1	1	0	0	0	0
Report to Congress	2	0	0	0	0	0
Commodity Subtotal	**56**	**54**	**3**	**3**	**3**	**3**
Nutrition Education/Monitoring						
Authorization of food, nutrition, and consumer education program	5	6	8	8	8	8
Nutrition monitoring	2	2	2	2	2	2
Subtotal	**7**	**8**	**10**	**10**	**10**	**10**
GRAND TOTAL	116 [redacted] [redacted]	245 [redacted] [redacted]	268 [redacted] [redacted]	[redacted] 305	[redacted] 339	[redacted] 376

Note: Based on December 27, 1985 OMB economic assumptions.

(*) indicates that full year costs (savings) are reduced to reflect effective date of May 1, 1986.

Mr. WHITTEN. According to the explanatory notes, the Administration is seeking repeal of several of the provisions of the Food Security Act of 1985. Please provide for the record a list of those provisions proposed for repeal, including the reasons for proposing repeal, and what impact the repeal would have on program funding.

Mr. LEARD. I will supply that information for the record.

[The information follows:]

1. Repeal of the increase from 18 to 20 percent in the earned income deduction.

Current data suggest that average work expenses of food stamp households is about 16 percent of earned income. Our 18 percent deduction was, therefore, adequate to cover household work expenses and an increase in this deduction was unnecessary. Repeal of the increase would save $23 million in the last five months of Fiscal Year 1986, and $57 million in Fiscal Year 1987.

2. Repeal the increased cap on the shelter deduction.

Program data shows that the average shelter deduction for households claiming the deduction is $100, or $39 below the cap in effect prior to enactment of P.L. 99-198. The deduction, clearly, does not require further increases and should be returned to its previous levels. Repeal of this increase would save $14 million during the last five months of Fiscal Year 1986, and $34 million in Fiscal Year 1987.

3. Rescind the separation of the dependent care deduction from the excess shelter deduction which is to occur May 1, 1986.

Separating these two deductions will add to the problem of attempting to reduce program error by forcing States to calculate and verify both deductions. Repeal of this requirement will save $9 million in the last five months of Fiscal Year 1986, and $21 million in Fiscal Year 1987.

4. Repeal increases in resource limits.

Public Law 99-198 raised the resource limit for most households from $1500 to $2000 and extended the $3000 limit to an elderly person living alone. These increases were unsupported by program data and will result in less-needy households qualifying for food stamp assistance. Repeal of these increases will save $23 million during the last five months of Fiscal Year 1986 and $77 million in Fiscal Year 1987.

PROPOSED LEGISLATION

Mr. WHITTEN. Excluding your proposals for repeal of provisions of the Food Security Act, please provide for the record the list of other legislative proposals, including a brief summary of the impact on the program and the funding level. Please also state your reasons for the proposed legislation.

[The information follows:]

Include all income received under Job Training Partnership Act (JTPA) programs as income for food stamp purposes. This proposal would establish consistency in the treatment of all types of JTPA income, as well as in the treatment of JTPA participants and other low-income earners. The proposal is estimated to save $10 million in Fiscal Year 1987.

Do not allow a shelter deduction for any expense met by any form of payment under the Low Income Home Energy Assistance Act (LIHEAA). (Special standard utility allowances would be established to reflect only out-of-pocket expenses of LIHEAA recipients). This proposal would establish consistency and equity in the treatment of LIHEAA payments, which are currently subject to different treatments depending on whether assistance is in the form of cash or vendor payments (for vendor payments, certain States have been ordered by courts to allow deductions for LIHEAA cash payments, contrary to general policy). The proposal also makes sense—why allow a deduction from income for expenses that a household does not pay from its own income? This proposal is estimated to save $68 million in Fiscal Year 1987.

Strengthen employment and training program requirements by 1) requiring able-bodied applicants to perform job search; 2) setting specific performance standards of 25 percent in Fiscal Year 1987 and building to 75 percent by Fiscal Year 1990; and 3) limiting 100 percent Federal funding for employment and training grants to $30 million in Fiscal Year 1987. This proposal will lead to better State performance in implementing meaningfull employment and training programs and will ensure that work program efforts begin immediately upon application. The proposal is expected to produce a net savings of $66 million in Fiscal Year 1987, with savings increasing to $167 million by Fiscal Year 1989.

Base State error-rate liability on benefits issued in error in excess of 5 percent, rather than on administrative funding. This proposal would strengthen the quality control (QC) system and emphasize State financial responsibility for good program administration by basing State liability directly on issuance. It would improve the QC system's equity by ensuring that liability be directly based on erroneous issuances, rather than on a percentage of State administrative expenditures. The proposal is expected to save $11 million in Fiscal Year 1987, with savings increasing to $109 million by Fiscal Year 1990, due to collection of liabilities.

Gradually eliminate enhanced Federal funding for computer systems development and fraud investigations. This proposal would reduce 75 percent Federal matching by 5 percent increments in 6-month intervals, to reach the 50 percent level by the last half of Fiscal Year 1989. There are other financial incentives for States to pursue these activities including state retention of 50% of funds recovered, and it is not appropriate to continue enhanced funding indefinitely for these activities. The proposal is estimated to save $2 million in the last six months of Fiscal Year 1987 (when 70 percent funding will be available), building to $23 million in Fiscal Year 1989 (when 55 percent funding will be available for the first six months).

Reduce Federal matching from 50 to 25 percent for State administrative costs which exceed 175 percent of the national median administrative cost per person. This proposal would discourage inefficient State program management by establishing a relatively generous target per-recipient cost and by paying only half the normal matching rate for costs exceeding this target. The proposal is expected to save $4 million in Fiscal Year 1987.

Mr. WHITTEN. Have the legislative proposals been submitted to Congress? Have they been introduced?

Mr. LEARD. No, the proposals have not yet been submitted to Congress or introduced. We expect that the legislative package will be sent to Congress in April.

FNS FISCAL YEAR 1987 BUDGET REQUEST

Mr. WHITTEN. Please provide for the record a table showing the agency's fiscal yar 1987 budget request, by program, to the Assistant Secretary, the Assistant Secretary's recommendations to the Secretary, the Secretary's recommendations to OMB, and the OMB allowance.

Mr. LEARD. I shall be glad to provide such a table for the record.

[The information follows:]

FOOD AND NUTRITION SERVICE

Fiscal Year 1987 Budget Requests
(Dollars in Thousands)

	Agency request to the Assistant Secretary	Rev. Agency Request to the Secretary	Department Estimate to OMB	President's Budget (OMB Allowance)
Child Nutrition Programs	$3,524,401	$3,519,100	$3,473,038	$3,458,336
Special Milk Program	14,094	14,094	14,094	0
WIC Program	1,641,000	1,641,000	1,608,180	1,617,000
Commodity Supplemental Food Program	29,000	29,000	24,817	38,605
Food Stamp Program	12,408,265	12,048,948	11,969,807	11,518,579
Nutrition Assistance for Puerto Rico	825,000	825,000	825,000	825,000
Needy Family Program	57,742	58,058	51,142	55,300
Nutrition Program for the Elderly	125,900	125,900	0	132,000
Temporary Emergency Food Assistance Program	0	0	0	0
Food Program Administration	87,000	87,000	87,000	86,100
FNS, Total Appropriated Funds	$18,712,402	$18,348,100	$18,053,078	$17,730,920
AMS Commodities for Child Nutrition - sec. 32 funds	350,900	350,900	350,900	350,900
Total Funds	$19,063,302	$18,699,000	$18,403,978	$18,081,820

OFFSET
CAMERA COPY

PARTICIPATION RATE FOR CHILD NUTRITION PROGRAMS

Mr. Whitten. Please provide for the record a table showing by program average daily participation in the child nutrition programs for fiscal years 1984, 1985, and the estimates for fiscal years 1986 and 1987, under existing law and the Administration's proposal. Please provide participation by the number of children from families with incomes above 85 percent of poverty, children from families with incomes between 130-185 percent of poverty, and children from families with incomes below 130 percent of poverty.

Mr. Leard. The data which I will provide for the record presents historic participation levels by income category for Fiscal Years 1984 and 1985 and estimates for Fiscal Years 1986 and 1987 for both current services--CS and the Administration's proposal for Child Nutrition Programs, the National School Lunch Program—NSLP, School Breakfast Program—SBP—Child Care Food Program—CCFP—Special Milk Program—SMP, and the Summer Food Service Program—SFSP. For the last two programs, we are unable to answer your question precisely due to the nature of the programs. The SMP currently serves free milk to all children from families with incomes at or below 130 percent of poverty. Thus no data is kept regarding participation to children with incomes between 130 and 185 percent of poverty. For SFSP, eligibility is not based on participant income level and therefore FNS has no data on participation as a function of income.

[The information follows:]

PARTICIPATION LEVELS IN CHILD NUTRITION PROGRAMS BY PERCENT OF POVERTY

[In millions]

	Fiscal year—			
	1984	1985	1986	1987
National School Lunch Program [NSLP]:				
CS < 130 percent	10.3	10.0	10.2	10.4
Proposal FY 1987				10.4
CS < 185	1.5	1.5	1.6	1.6
Proposal FY 1987				1.6
CS > 185	11.5	12.0	12.1	12.3
Proposal FY 1987				0.0
NSLP total CS	23.3	23.5	23.9	24.3
NSLP total proposal				12.0
School Breakfast Program [SBP]:				
CS < 130	2.9	3.0	3.1	3.2
Proposal FY 1987				3.2
CS < 185	.2	.2	.2	.2
Proposal FY 1987				.2
CS > 185	.4	.4	.4	.4
Proposal				0.0
SBP total CS	3.5	3.6	3.7	3.8
SBP total proposal				3.4
Special Milk Program [SMP]:				
CS < 130	.05	.04	.05	.06
Proposal				.06
CS > 130	1.00	.97	.98	.97
Proposal				0.00
SMP total CS	1.05	1.01	1.03	1.03
Proposal				.06
Child Care Food Program [CCFP]:				
CS < 130	.4	.4	.5	.5

PARTICIPATION LEVELS IN CHILD NUTRITION PROGRAMS BY PERCENT OF POVERTY—Continued

[In millions]

	Fiscal year—			
	1984	1985	1986	1987
Proposal				.5
CS < 185	.1	.1	.1	.1
Proposal				.1
CS > 185	.2	.2	.2	.2
Proposal				0.0
CCFP-Homes [1]				
Current Services	.3	.3	.4	.4
Proposal				.1
CCFP total CS	1.0	1.0	1.2	1.2
Proposal				.7
Summer Food Service Program [SFSP]:				
Current Services	1.1	1.1	1.2	1.2
Proposal				1.2

[1] All children in Family Day Care Homes receive free meals because there is no means test for the program. Data from a 1982 study of the Child Care Food Program indicate that if a means test were in effect, 64 percent of participants would have incomes over 185 percent of poverty, 11 percent between 130 and 185 percent and 25 percent below 130 percent.

POVERTY LEVEL CRITERIA

Mr. **Whitten**. Please provide for the record the most recent OMB definition of poverty level income.

Mr. **Leard**. I will provide the information for the record.

[The information follows:]

Family size	48 States and D.C.	Alaska	Hawaii
1	$5,360	$6,700	$6,170
2	7,240	9.050	8,330
3	9,120	11,400	10,490
4	11,000	13,750	12,650
5	12,880	16,100	14,810
6	14,760	18,450	16,970
7	16,640	20,800	19,130
8	18,520	23,150	21,290
For each additional family member add	1,800	2,350	2,160

Mr. **Whitten**. Please provide for the record a table showing the number of families and the number of individuals in the Nation with incomes below the poverty level for the past ten years and the estimate for fiscal years 1986 and 1987.

Mr. **Leard**. Neither the Bureau of the Census nor the Office of Management and Budget estimate the poverty level of future periods. However, I will provide the historical information for the record.

[The information follows:]

PERSONS AND HOUSEHOLDERS BELOW THE POVERTY LEVEL

[In thousands]

	All persons	Householders
1984	33,700	7,277
1983	35,515	7,681
1982	34,398	7,512
1981	31,822	6,851
1980	29,272	6,217
1979	26,072	5,461
1978	24,497	5,280
1977	24,720	5,311
1976	24,975	5,311
1975	25,877	5,450
1974	23,370	4,922

Source: Census, Current Population Reports, Series P-60, No. 149, August 1985.

CASH AND COMMODITY SUBSIDIES

Mr. **Whitten.** According to the explanatory notes, the Administration proposal to reduce the school lunch and school breakfast programs would eliminate cash and commodity subsidies to upper income participants and would establish a means test for family day care home participants. Please provide for the record the total number of meals served under these programs for fiscal years 1984, 1985, and the estimates for fiscal years 1986 and 1987, by rate of Federal subsidy.

Mr. **Leard.** I shall provide information on the number of meals served for the record.

[The information follows:]

NUMBER OF MEALS ELIGIBLE FOR REIMBURSEMENT

[Millions]

Category	1984	1985	1986	1987 current law	1987 proposed legislation
National School Lunch Program:					
Paid	1,876	1,978	1,998	2,035	
Reduced price	248	254	264	269	269
Free	1,702	1,657	1,687	1,719	1,719
Total	3,826	3,889	3,949	4,023	1,988
School breakfast:					
Paid	61	68	69	70	
Reduced price:					
Regular	13	14	14	15	28
Severe need	12	13	13	13	
Free:					
Regular	224	218	223	227	522
Severe need	279	281	290	295	
Total	589	594	609	620	550

RATE PER MEAL CATEGORY

[Cents]

Category	1984	1985	1986	1987 current law	1987 proposed legislation
National School Lunch Program:					
Paid	11.59	12.09	12.59	13.12	
Reduced price	68.39	74.09	78.46	83.80	84.63
Free	109.53	114.23	118.61	123.97	124.81
Commodities	11.56	11.97	11.78	12.00	24.25
School breakfast:					
Paid	9.09	9.55	9.84	10.34	
Reduced price:					
Regular	32.31	35.93	38.50	41.58	41.58
Severe need	45.97	49.19	52.26	55.86	
Free:					
Regular	63.25	65.97	68.55	71.63	71.63
Severe need	76.01	79.24	82.30	85.90	

CHILD CARE FOOD PROGRAM—NUMBER OF MEALS ELIGIBLE FOR REIMBURSEMENT

[Millions]

	1984	1985	1986	1987 current law	1987 proposed legislation
Child care centers:					
Paid	95	105	105	107	
Reduced price	39	40	40	40	40
Free	239	244	252	257	257
Family day care homes	217	254	284	320	115
Total	590	643	681	724	412
Rate Per Meal Category (Cents)					
Child care centers:					
Paid	11.4	12.0	12.1	12.5	
Reduced price	48.6	51.6	54.6	57.9	56.7
Free	80.4	83.5	86.7	90.5	90.4
Family day care homes	65.2	67.6	70.2	73.3	73.3

Mr. **Whitten**. According to the explanatory notes the Food and Nutrition Service anticipates an increase of 32 million free lunches in fiscal year 1987, and an increase of 5 million in reduced price lunches. Are these anticipated increases the result of increased enrollment, or is it a function of more families qualifying for free or reduced price lunches?

Mr. **Leard**. While it is difficult to specify the precise cause of these participation increases, several factors are clear. For both the free and reduced price categories participation is anticipated to increase less than two percent. There are two apparent reasons for these increases. School enrollments are expected to increase slightly with the bulk of the increase occurring among elementary school students, whose NSLP participation rates are the highest. Secondly, over the past few years there has been an increase in the proportion of eligible families who participate in the program. This trend is expected to continue.

SCHOOL BREAKFAST PROGRAM PARTICIPATION

Mr. **Whitten**. Please provide for the record the total number of meals served by rate of Federal subsidy in fiscal years 1984 and 1985, and the estimates for fiscal years 1986 and 1987.

[The information follows:]

NUMBER OF BREAKFASTS

[Millions]

Category	1984	1985	1986	1987	Proposed
School breakfast:					
Paid	61	68	69	70	
Reduced Price:					
Regular	13	14	14	15	28
Severe need	12	13	13	13	
Free:					
Regular	224	218	223	227	522
Severe need	279	281	290	295	
Total	589	594	609	620	550

RATE PER MEAL CATEGORY

[Cents]

Rate	1984	1985	1986	1987	Proposed
School breakfast:					
Paid	9.09	9.55	9.84	10.34	
Reduced price:					
Regular	32.31	35.93	38.50	41.58	41.58
Severe need	45.97	49.19	52.26	55.86	
Free:					
Regular	63.25	65.97	68.55	71.63	71.63
Severe need	76.01	79.24	82.30	85.90	

Mr. **Whitten**. According to the explanatory notes, FNS anticipates an increase of 9 million free meals served in this program. Do you anticipate that the elimination of the subsidy for upper income families could result in a decrease in participation in this program? Is so, is it possible that in some schools a decrease in participation could jeopardize the availability of the program to all students?

Mr. **Leard**. While the elimination of subsidies to upper income families will result in a reduction in the total number of federally subsidized meals, it should not result in decreased school breakfast availability for any students.

Almost 90 percent of School Breakfast Program parrticipants receive free or reduced price meals. The subsidy lost by schools, 10.25 cents for every paid meal in Fiscal Year 1987, will amount to less than two percent of the total reimbursement.

CASH VALUE OF COMMODITIES

Mr. **Whitten**. Please provide for the record a list of the type and value of the commodity purchased or donated, by program, and the amount of cash in lieu of commodities obligated for fiscal years

1984 and 1985, and the estimate for fiscal years 1986 and 1987. Please identify by FNS commodity and by section 32 commodities.

Mr. **Leard**. We will provide the requested information for the record.

[The information follows:]

FOOD AND NUTRITION SERVICE

Cash-in-lieu of Commodities and
Type and Value of Commodities, All Sources

Page 1 of 2

By Program for Fiscal Year 1984
(Dollars in Thousands)

Commodity Type	Child Nutrition			Nutrition Program for the Elderly			Needy Family Program		
	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds
Fruits and Juices		40,065		1,003	135		7,329	2,148	
Vegetables	2,079	69,021		810			4,317		
Meat and Fish		213,110		3,207	277		5,839		
Poultry		62,955		2,457			2,042		
Dairy Products			381,094			5,844	3,473		8,727
Fats and Oils	35,882			154			1,846		
Grain Products	45,435		5,221	436		37	4,668		475
Honey			7,234			131			1,115
Purchased with prior year funds				-3,392					
SUBTOTAL - Commodities	$83,396	$385,151	$393,549	$4,675	$412	$6,012	$29,514	$2,148	$10,318
Cash in-lieu-of Commodities	$34,479			$113,228					
TOTAL - Commodities and Cash in-lieu-thereof	$117,875	$385,151	$393,549	$117,903	$412	$6,012	$29,514	$2,148	$10,318

FOOD AND NUTRITION SERVICE

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Cash-in-lieu of Commodities and
Type and Value of Commodities, All Sources

By Program for Fiscal Year 1984
(Dollars in Thousands)

Commodity Type	Commodity Supplemental Food FNS Account	Section 32	CCC Funds	Institutions and Camps Section 32	CCC Funds	TEFAP CCC funds
Fruits and Juices	7,471	577		7,925		
Vegetables	1,229					
Meat and Fish	1,533			42,404		
Poultry	2,392					
Dairy Products	11,228		10,513		105,640	982,894
Fats and Oils					14,578	
Grain Products	1,670		325		33,450	15,823
Honey			1,079		2,258	47,110
Purchased with prior year funds						
SUBTOTAL - Commodities	$25,523	$577	$11,917	$50,329	$155,926	$1,045,827
Cash in-lieu-of Commodities						
TOTAL - Commodities and Cash in-lieu-thereof	$25,523	$577	$11,917	$50,329	$155,926	$1,045,827

FOOD AND NUTRITION SERVICE

Cash-in-Lieu of Commodities and
Type and Value of Commodities, All Sources

By Program for Fiscal Year 1985
(Dollars in Thousands)

Commodity Type	Child Nutrition			Nutrition Program for the Elderly			Needy Family Program		
	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds
Fruits and Juices	3,000	59,233		636	20		9,040	586	
Vegetables	4,817	52,707		1,082			4,922	1	
Meat and Fish	16,057	171,844		1,909			9,262		
Poultry	11,240	83,316		2,159	63		1,902		
Dairy Products			334,328			5,465	4,075		10,096
Fats and Oils	32,562			244			2,443		
Grain Products	40,172		3,783	260		8	5,020		498
Honey			5,431			209			1,326
Adjustment				3,333			-11,699		
SUBTOTAL - Commodities	$107,848	$367,100	$343,542	$9,624	$83	$5,682	$24,965	$587	$11,919
Cash in-lieu-of Commodities	$30,852			$111,176					
TOTAL - Commodities and Cash in-lieu-thereof	$138,700	$367,100	$343,542	$120,800	$83	$5,682	$24,955	$587	$11,913

FOOD AND NUTRITION SERVICE

Cash-in-lieu of Commodities and
Type and Value of Commodities, All Sources

Page 2 of 2

By Program for Fiscal Year 1985
(Dollars in Thousands)

Commodity Type	Commodity Supplemental Food			Institutions and Camps		TEFAP
	FNS Account	Section 32	CCC Funds	Section 32	CCC Funds	CCC funds
Fruits and Juices	8,854	967		5,479		
Vegetables	1,552			29		
Meat and Fish	3,231			13,476		
Poultry	2,277			9,300		
Dairy Products	11,594		13,968		93,159	871,889
Fats and Oils					17,742	
Grain Products	1,690		304		29,678	33,048
Honey			441		2,911	52,987
Adjustment	-2,448 a/					
SUBTOTAL - Commodities	$26,250	$967	$14,713	$28,285	$143,490	$957,924
Cash in-lieu-of Commodities						
TOTAL - Commodities and Cash in-lieu-thereof	$26,250	$967	$14,713	$28,285	$143,490	$957,924

a/ Commodities provided to elderly feeding pilot projects

FOOD AND NUTRITION SERVICE

Cash-in-lieu of Commodities and
Type and Value of Commodities, All Sources

Estimated by Program for Fiscal Year 1986
[Dollars in Thousands]

Commodity Type	Child Nutrition			Nutrition Program for the Elderly			Needy Family Program		
	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds
Fruits and Juices	3,652	61,556		505	20		9,881	586	
Vegetables	5,865	54,774		860			5,380	1	
Meat and Fish	19,549	178,584		1,517			10,124		
Poultry	13,684	86,584		1,717	63		2,079		
Dairy Products			334,328			5,465	4,454		10,096
Fats and Oils	39,644			194			2,670		
Grain Products	48,909		3,783	207		8	5,487		498
Honey			5,431			209			1,326
SUBTOTAL - Commodities	$131,303	$381,498	$343,542	$5,000	$83	$5,682	$40,075	$587	$11,919
Cash in-lieu-of Commodities	$29,555			$131,973					
TOTAL - Commodities and Cash in-lieu-thereof	$160,858	$381,498	$343,542	$136,973	$83	$5,682	$40,075	$587	$11,919

FOOD AND NUTRITION SERVICE

Page 2 of 2

Cash-in-lieu of Commodities and
Type and Value of Commodities, All Sources

Estimated by Program for Fiscal Year 1986
(Dollars in Thousands)

Commodity Type	Commodity Supplemental Food			Institutions and Camps		TEFAP
	FNS Account	Section 32	CCC Funds	Section 32	CCC Funds	CCC funds
Fruits and Juices	7,774			5,479		
Vegetables	1,444			29		
Meat and Fish	3,007			13,476		
Poultry	2,119			9,300		
Dairy Products	10,790		9,570		93,159	871,889
Fats and Oils					17,742	
Grain Products	1,573		300		29,678	33,048
Honey			440		2,911	52,987
SUBTOTAL - Commodities	$26,707		$10,310	$28,285	$143,490	$957,924
Cash in-lieu-of Commodities						
TOTAL - Commodities and Cash in-lieu-thereof	$26,707		$10,310	$28,285	$143,490	$957,924

FOOD AND NUTRITION SERVICE

Cash-in-lieu of Commodities and
Type and Value of Commodities, All Sources

Page 1 of 2

Estimated by Program for Fiscal Year 1987
(Dollars in Thousands)

Commodity Type	Child Nutrition			Nutrition Program for the Elderly			Needy Family Program		
	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds	FNS Account	Section 32	CCC Funds
Fruits and Juices	3,511	61,556		505	20		9,740	586	
Vegetables	5,639	54,774		860			5,303	1	
Meat and Fish	18,795	178,584		1,517			9,980		
Poultry	13,156	86,584		1,717	63		2,049		
Dairy Products			334,328			5,465	4,391		10,096
Fats and Oils	38,114			194			2,632		
Grain Products	47,021		3,783	207		8	5,409		498
Honey			5,431			209			1,326
SUBTOTAL - Commodities	$126,236	$381,498	$343,542	$5,000	$83	$5,682	$39,505	$587	$11,919
Cash in-lieu-of Commoditier	$33,569			$127,000					
TOTAL - Commodities and Cash in-lieu-thereof	$159,805	$381,498	$343,542	$132,000	$83	$5,682	$39,505	$587	$11,919

FOOD AND NUTRITION SERVICE

Cash-in-Lieu of Commodities and
Type and Value of Commodities, All Sources

Page 2 of 2

Estimated by Program for Fiscal Year 1987
[Dollars in Thousands]

Commodity Type	Commodity Supplemental Food FNS Account	Section 32	CCC Funds	Institutions and Camps Section 32	CCC Funds	TEFAP CCC funds
Fruits and Juices	8,686			5,479		
Vegetables	1,614			29		
Meat and Fish	3,359			13,476		
Poultry	2,367			9,300		
Dairy Products	12,054		9,570		93,159	871,889
Fats and Oils					17,742	
Grain Products	1,757		300		29,676	33,048
Honey			440		2,911	52,987
SUBTOTAL - Commodities	$29,837		$10,310	$28,285	$143,490	$957,924
Cash in-lieu-of Commodities						
TOTAL - Commodities and Cash in-lieu-thereof	$29,837		$10,310	$28,285	$143,490	$957,924

SUMMER FOOD SERVICE PROGRAM

Mr. WHITTEN. The fiscal year 1987 proposal would eliminate subsidies for sponsor administrative expense funds in the summer food service program. Will elimination of these subsidies jeopardize the availability of this program in any location?

Mr. LEARD. We do not expect the availability of this program to be jeopardized in any location if sponsor administrative expenses are eliminated. In order to reduce fraud and abuse under the SFSP, the Omnibus Budget Reconciliation Act of 1981 limited sponsors to public or private nonprofit school food authorities; local, municipal or county governments and residential summer camps. The higher SFSP meal and administrative payments in effect prior to the enactment of that legislation were originally intended to defray the higher cost needs of previously eligible private vendors and seasonal food service programs. However, since schools and other public institutions are the primary groups of sponsors operating the SFSP, they should be able to produce a meal for about the same cost as they do during the school year. Their SFSP reimbursement rate should be commensurate with cost and thus equal to National School Lunch Program reimbursements.

SPECIAL SUPPLEMENTAL FEEDING PROGRAM

Mr. WHITTEN. The fiscal year 1987 proposal provides for an increase in the special supplemental feeding program, but your proposal would limit participation to about 3 million participants per month. Please provide for the record an estimate of the universe of women, infants and children eligible to participate in this program.

Mr. LEARD. We do not have an exact estimate of the number of people eligible for the Special Supplemental Food Program for Women, Infants and Children—WIC. However, we can estimate the number of people eligible on the basis of income alone. Based on Census and Vital Statistics data, we estimate that about 10.1 million women, infants and children were eligible in 1984 in the United States, including Puerto Rico. If we factored in nutritional risk, which is an essential eligibility criterion, the number of eligible people would be significantly less. The WIC Program uses a nutritional risk priority system to guide agencies in providing benefits to the neediest first, such as pregnant and breastfeeding women and infants with documented nutritionally related medical conditions. I should point out that the WIC Program has grown tremendously from 1980, when $774 million was available and 1.9 million people participated to 1986 when $1.6 billion will be available and more than 3 million people will participate. The program is not designed as an entitlement program open to all who might qualify but is a fixed-grant program designed to serve a certain level of participation with a fixed amount of money.

VENDOR MONITORING

Mr. WHITTEN. Please submit for the record a representative example of annual reporting to FNS on vendor monitoring practices and the results of this effort.

[CLERK'S NOTE.—Due to its length, the information will not be printed but will be retained in committee files.]

ELDERLY FEEDING PILOT PROJECT

Mr. WHITTEN. Your proposal would restrict the elderly feeding pilot projects to those participating in the program in fiscal year 1986. Have you received requests to fund other elderly feeding projects? If so, please provide a list of those for the record and provide an estimate of the cost of funding each.

Mr. LEARD. Originally nine applications were received in response to the Request for Proposal for the Elderly Feeding Pilot Projects (EFPP). The names of the six applicants not approved for EFPP operations, their original caseload requests and an estimated cost of funding each of the six, based on original caseload requests; are listed below:

Applicant	Original caseload request	Estimated cost for 12 month period
Nashville, Tennessee	1,800	$350,352
Colorado	1,000	194,640
Memphis, Tennessee	1,450	299,746
Nebraska	200	38,928
California	1,800	350,352
District of Columbia	1,821	354,439
Total	8,071	1,588,457

Mr. WHITTEN. Please provide for the record a table showing the average number of senior citizens served monthly at each project site for fiscal years 1984 and 1985 and an estimate for fiscal years 1986 and 1987.

[The information follows:]

EFPP PROJECT AND PARTICIPATION

Month	Michigan			Louisiana			Iowa		
	FY84	FY85	FY86[1]	FY84	FY85	FY86[1]	FY84	FY85	FY86[1]
October	4126	7310	7444	1764	7928	7883	1809	4214	4102
November	4290	7404		1819	7752		1790	4178	
December	4339	7387		2094	7653		1835	4113	
January	4454	7399		2092	7940		2056	4084	
February	4465	7361		3879	8070		2356	4104	
March	4510	7388		5858	8080		2818	4100	
April	4457	7381		6829	8114		3100	4129	
May	4435	7385		7477	8125		3317	4095	
June	4435	7402		7787	7889		3564	4097	
July	4664	7371		7864	7895		3642	4099	
August	6086	7404		7895	7801		3904	4080	
September	7017	7417		7937	7826		4095	4086	

[1] Authorized caseload level for Fiscal Year 1986. There is no projected caseload for Fiscal Year 1987.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Mr. WHITTEN. Please provide for the record a table showing the type of commodity, the volume and value of commodities served in the commodity supplemental food program.

[The information follows:]

COMMODITY SUPPLEMENTAL FOOD PROGRAM QUANTITY AND VALUE OF COMMODITIES—FISCAL YEAR 1985

[Pounds in thousands and value in thousands of dollars]

Commodity	Pound	Value
Section 32 type:		
Apple juice	5.050	1,160
Applesauce	483	159
Apricots, canned	163	116
Beans, dry	422	119
Beans, green canned	986	307
Beef, canned	811	1,183
Carrots, canned	231	71
Corn, canned	864	263
Egg mix, dehydrated	1,307	2,262
Fruit coctail	862	514
Grape juice	6,140	1,548
Grapefruit juice	537	125
Orange juice	6,594	2,299
Peaches, canned	798	480
Pears, canned	548	329
Peas, canned	497	171
Pineapple, canned	180	80
Pineapple juice	5,669	1,465
Plums, canned	172	81
Pork, canned	1,004	1,167
Potatoes, dehydrated	438	263
Potatoes, whole	165	50
Poultry, canned	13	15
Pumpkin, canned	167	60
Spinach, canned	119	51
Stew, beef meatball	1,319	881
Sweetpotatoes, canned	224	97
Tomatoes, canned	105	38
Tomato juice	268	62
Total	36,156	15,414
Section 416-type:		
Evaporated milk	14,132	6,975
Farina	2,569	797
Cereal, infant rice	261	182
Formula, infant	5,573	3,773
Formula, infant (powdered)	276	846
Peanut butter	912	711
Total	23,723	13,284
Bonus/free substitute commodities:		
Section 32-type Raisins	1,911	96.
Section 416-type:		
Butter	210	308
Cheese, processed	6,279	8,595
Milk, nonfat dry	4,779	5,065
Honey	564	441
Rice, milled	1,566	304
Total bonus	15,309	15,680

COMMODITY SUPPLEMENTAL FOOD PROGRAM QUANTITY AND VALUE OF COMMODITIES—FISCAL YEAR 1985—Continued

[Pounds in thousands and value in thousands of dollars]

Commodity	Pound	Value
Grand total	75,188	[1] 44,378

Includes $2,447,741 in commodities provided to the elderly feeding pilot projects.

COMMODITY SUPPLEMENTAL FOOD PILOT PROJECT PROJECTS, PARTICIPATION AND FOOD COST—FISCAL YEAR 1985

State	Projects	Elderly participation	Food funding [2]
Iowa: Des Moines	1	4,114	$470,667
Louisiana: New Orleans	1	7,922	969,993
Michigan: Detroit	1	7,384	811,081
Adjustment			−196,000
Total	3	19,420	2,447,741

[1] Average monthly elderly participation from FNS-153.
[2] Total value of entitlement foods from FNS-153.

Note.—These data are based in part on preliminary data submitted by State and as revised reports are received.

FOOD STAMP PROGRAM LEGISLATIVE PROPOSALS

Mr. WHITTEN. The fiscal year 1987 request includes proposed legislation that would amend the State administrative formula. This proposal would retain the 50 percent match provision, but would require that States with an average per recipient administrative expense in excess of 175 percent of the national average provide 25 percent of that portion in excess of 175 percent. Please specify for the record the States that would have been affected by this provision in fiscal year 1985.

Mr. LEARD. Based on preliminary per recipient administrative cost data for Fiscal Year 1985, we estimate that Alaska, Arizona, and the District of Columbia will be affected by this provision in Fiscal Year 1987 if they do not implement cost-saving measures.

Further, it should be clarified that the trigger amount for the reduced Federal match would be 175 percent of the national median rather than the national average.

Mr. WHITTEN. The budget also proposes to count stipends as well as the earnings of the Job Training Partnership Act participants as income, thereby reducing the value of food stamp benefits to the participants. How many food stamp recipients would be affected by this provision, and by what amount on the average would this reduce the food stamp benefits for which they would be eligible.

Mr. LEARD. As many as 93,500 households could receive lowered food stamp allotments as a result of receiving training allowances, needs-based payments, or earnings from participants in JTPA programs.

Mr. WHITTEN. Could this provision not result in some participants dropping out of the program, thereby jeopardizing their future as wage earners?

Mr. LEARD. It is highly unlikely that a decrease in food stamp allotment of such a small amount—on average $9.00 monthly—

would result in an appreciable decline in JTPA participation. This proposal is made to eliminate inequities between participants in JTPA program who receive these types of payments and JTPA participants who receive earnings from on-the-job training which is countable. Furthermore, the program would establish equity in the treatment of JTPA households and other households with income.

There is no inherent difference between JTPA income and any other income that is included for food stamp purposes. Indeed, other training allowances (but not reimbursements), needs-based payments—e.g., AFDC, SSI—and income from earners over 18 are currently included as income for food stamp eligibility purposes.

FOOD STAMP PROGRAM HOUSEHOLD CHARACTERISTICS

Mr. WHITTEN. Please provide for the record an update of the characteristics of food stamp households.

[The information follows:]

The average gross monthly income per food stamp household is $376 (the annual equivalent of $4,512). The average net income is $208 a month—$2,496 a year.

5.4 percent of households have zero gross income and 18.4 percent have zero net income.

37.8 percent of all households have gross income of less than $300 per month (the annual equivalent of $3,600).

Food stamp households also tend to have few assets.

76.9 percent own no countable assets.

96.1 percent own assets of $500 or less.

Average countable assets per household were $55.

Over three-quarters of food stamp recipients are children, elderly, disabled or single parents who are heads of households.

51.6 percent of all participants are children.

7.1 percent of all participants are elderly.

7.7 percent of all participants are disabled.

14.1 percent of all participants are single parents who are heads of households.

Food stamp recipients who are able to work are doing so or are meeting the program's work requirements in other ways.

80.2 percent of all participants are exempt from work requirements.

3 percent of participants are employed full time (8 percent of adult participants); 19.6 percent of households had earned income.

11.8 percent of adult participants are registered for work through the Food Stamp Program; 18.1 percent are covered by the work requirements of other programs such as Aid to Families with Dependent Children and Unemployment Compensation Program. Most others are elderly, disabled, or responsible for the care of a child or incapacitated person.

The average household size is 2.7 persons.

PROPOSED LEGISLATION HOUSEHOLD ASSETS

Mr. WHITTEN. According to the budget proposal, the Administration is seeking repeal of several provisions of the Food Security Act of 1985, including the provision that increased the asset limit for most households from $1,500 to $2,000. What percentage of elderly households participating in the food stamp program have household assets exceeding $1,500?

Mr. LEARD. The most recent available data show that 1 percent of the households with elderly members had assets greater than $1,500 in February 1983.

It should be noted that the only elderly households affected by the proposed change would be one-person elderly households with assets between $1,500 and $3,000. Households with two or more members, at least one of whom was age 60 or older, are and were allowed up to $3,000 in assets. The Food Security Act did not change this provision of current law.

INTERACTION COSTS OF AFDC PROPOSED LEGISLATION

Mr. **Whitten**. Please describe in some detail the interaction costs resulting from new legislative proposals for AFDC.

Mr. **Leard**. AFDC benefits are counted as income when calculating food stamp eligibility and benefits. As a result, changes to AFDC eligibility rules or benefit levels can have an effect on food stamp participation and benefits.

The Aid to Families with Dependent Children program has two legislative proposals which will have a budgetary impact on the Food Stamp Program in 1987. One provision prohibits AFDC benefits for a parent or caretaker when the youngest child reaches the age of 16. The second provision requires a never-married minor parent to live with his or her parents in order to be eligible for AFDC. Minor parents are those under the age limit for dependent children set by the States. This provision allows for certain exceptions (such as when the minor has no parent living, where the safety of health of the minor parent would be jeopardized.

These two changes are expected to increase Food Stamp Program costs by $37 million in Fiscal Year 1987.

INCOME AND ELIGIBILITY VERIFICATION SYSTEMS

Mr. **Whitten**. According to the explanatory notes on page 32g-27, FNS issued a rule in March 1985 to require State agencies administering a variety of income assistance programs to develop a system obtaining information on wages, unearned income, and benefits for use by administrators in verifying eligibility and benefit amounts. This requirement has been in effect for a year now. What results can you report to the Committee?

Mr. **Leard**. The rule published in March 1985 was a proposed rulemaking. A final rule was published February 28, 1986. P.L. 98-369 requires implementation by September 30, 1986. State agencies will document in casefiles actions taken based on the information from such sources as State quarterly wage data and unearned income from the Internal Revenue Service. State agencies will report annually certain information such as numbers of names referred to the different data sources and the numbers of names about which those sources provided information. The due date for the first report has not been decided, but it would be sometime after the rules have been implemented to assure that this information is meaningful. We plan to gather more detailed data about action taken on the information by such means as reviews of selected local offices.

OPERATION AWARENESS

Mr. **Whitten**. Please provide for the record a description of your Operation Awareness activities during the past year.

[The information follows:

Held the third National Conference for State Welfare Commissioners. The Conference was jointly sponsored with Health and Human Services, Office of Family Assistance. An exposition of States automated computer systems was the highlight of the Conference. Forty-nine States were represented and 147 people attended.

Published the third edition of "Catalog of Program Improvement Activities" (CPIA), a reference digest for program managers. This manual describes more than 100 food stamp anti-fraud, waste and abuse activities taking place at the State and county level. Over 1,000 copies were sent to regions, States, and distributed at Operation Awareness conferences.

Awarded eight States for exceptional performance in reducing fraud, waste and abuse.

Published three issues of State-to-State, a publication to share innovative ideas for better program management. There are 10,000 copies of State-to-State printed with each edition for distribution to State and county administrators, private businesses and, other individuals and organizations.

Funded a State Exchange Program which helps State officials visit other States to share ideas and effective management techniques.

Focused on error reduction by:

Encouraging Project Integrity activities; a communications effort to make recipients more aware of their responsibilities to properly report their circumstances. Sixteen substate and statewide projects were implemented or planned.

Developed and distributed to all States, a booklet entitled, "Front End Verification Specialists and Investigators". The booklet describes ways of preventing errors by using more experienced and better trained eligibility workers to interview applicants whose cicumstances may be suspect.

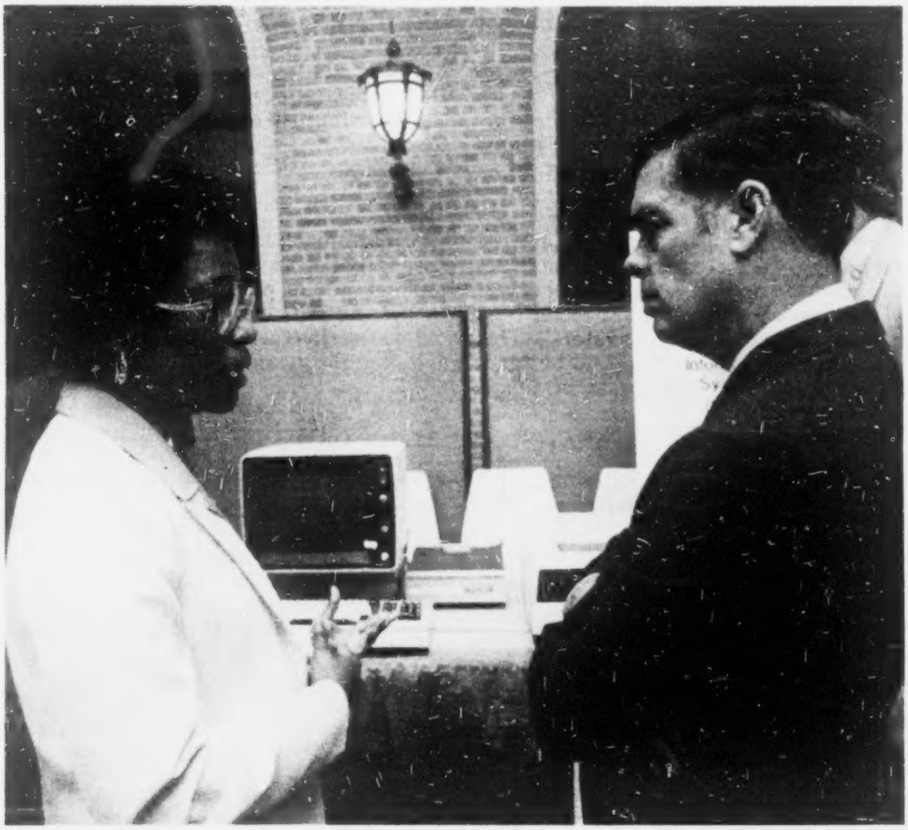
STATE-TO-STATE REPORT

Mr. WHITTEN. Please provide for the record a copy of your most recent State-to-State Report.

[The requested information follows:]

STATE TO STATE

A report on agencies' efforts to improve management control in the Food Stamp Program



Secretary of Agriculture John R. Block and Barbara Paulin, Project Director of Delaware's Client Information System discuss automation at a conference on Food Stamp Program management (above). The conference, featuring some of the nation's best automated systems, was sponsored by the Food and Nutrition Service and the Department of Health and Human Service's Office of Family Assistance. Stories about the national and regional conferences, client education, front-line staff support, and special resource teams are featured in this issue.

United States Department of Agriculture Food and Nutrition Service December 1985 Volume 3, Issue 1

Dear Reader,

We are now in our third year of Operation Awareness and we have added a new look for State to State. In the past 2 years, we have seen a tremendous improvement in the way States share successful corrective action and innovative management techniques. And this translates into some fine results—with more investigations, prosecutions, and claims collected, and lower dollar losses in the Food Stamp Program.

This year, we plan to focus more attention on local level operations while continuing to publicize effective State level strategies. We intend to support targeting error reduction strategies, and encourage those of you at the State level to help your local offices share strong management practices. Continued improvement in error prevention can best happen where the rubber hits the road—the County offices.

We are marking this shift in emphasis with a new format for State to State and a number of new topic areas—client education, supporting front line staff, and special efforts. We're also including a new "food stamp facts" column, and a special section on the 1985 Operation Awareness conferences. We continue to include a section on publications that we think will be of assistance to you.

We hope you will find our new format and topic areas appealing and informative and welcome your comments or suggestions.

Sincerely,

Virgil L. Conrad

VIRGIL L. CONRAD
Deputy Administrator
for Family Assistance Programs

Client Education

An important way to reduce errors is to educate clients about their responsibilities to the program. Advance preparation and a client awareness campaign recently helped Los Angeles ready clients for a major program change. In South Carolina, publicity about the new computer's ability to spot certification errors is emphasizing to clients the importance of telling the truth. Providing clients with basic facts on eligibility and issuance in a simple, easy-to-read brochure is yet another economical way to reduce case errors.

Los Angeles County Prepares Clients for a Major Program Change

On July 1, 1985, Los Angeles County implemented a new automated food stamp issuance and recording system that drastically changes the way the County's 600,000 food stamp recipients obtain their benefits. To prepare one of the Nation's largest food stamp project areas for the change, County Department of Public Social Services officials started alerting clients 8 months in advance that there would be a change in the way they got their food stamps.

The new system replaces authorization to participate (ATP) cards with permanent plastic issuance cards (similar to those used by banks for automatic teller machines) and assigns clients specific days to pick up their food stamps. Officials felt that failure to prepare the recipients for these changes would be disastrous.

Communicating change to their caseload has always been a major part of Los Angeles County's implementation plans. Their last major effort occurred with the introduction of photo identification cards.

To prepare clients for the new issuance system, Los Angeles mailed recipients eye-catching color brochures in either English, Spanish, or Vietnamese explaining the plastic card, the new food stamp pickup dates, and responding to other client concerns.

In addition to the general mailing, issuance agents personally handed out the brochures. To further publicize the impending changes, the County used a poster and special messages included with ATP mailings to urge clients to read the brochure. The ATP mailings also alerted clients to the possibility of longer lines during the first few months and asked their forbearance during the possible inconvenience.

Recognizing that community groups, welfare rights advocates, and eligibility workers would need a detailed explanation of how the automated system would work and how it could improve management of the Food Stamp Program, the County developed and used a videotape overview of the new system in meetings with these groups.

Before deciding how to implement the new system, Los Angeles officials sought advice from San Francisco and Fresno Counties and the State of Michigan—communities that already had similar automated systems up and running. This helped Los Angeles "plan around" some of the problems these other localities had experienced.

For instance, one County reported that it had problems switching from a 3-day to a 10-day issuance cycle. So Los Angeles decided to give clients nearly 6 months to adjust to this change before having them contend with the plastic issuance cards.

The County began switching

its caseload over to the 10-day cycle last November. Realizing what a couple of days' delay in receiving their food stamps could mean for some families, the County was prepared with a hardship plan. The County also decided to keep issuance outlets open every day of the week. These changes simplified the issuance of stamps by giving clients a stable pickup day and faster service. By February 1985, the caseload had been converted to a 10-day cycle.

During the first days of implementation of the automated issuance system, Los Angeles County assigned an eligibility worker to most of the 37 issuance outlets to answer questions about the new system. The availability of an "answer person" proved vital to the smooth transition.

Los Angeles County's new automated issuance and recording system is now in place and running smoothly. As a result of the County's planned client readiness campaign, recipients have adapted to and accepted the changes—including occasional technical difficulties—needed to implement a new computer system of this magnitude.

■For more information contact: Evelyn Guenther, Assistant Program Deputy, Los Angeles County Department of Public Social Services, (818) 572-5974.

South Carolina Food Stamp Program Director Leon Love is interviewed by a reporter at a press conference in Greenville, S.C., concerning "Tell the Truth," a new public information campaign.

Publicity Blitz Urges Clients to "Tell the Truth"

South Carolina's Department of Social Services is fighting fraud with a new public information campaign called "Tell the Truth." The department recently implemented its new computerized wage match system and is making sure that food stamp recipients hear of the agency's increased ability to detect fraud. The State also wants the general public to learn how the new system is improving management of the Food Stamp Program.

To get the word out, the State agency hired a professional consulting firm to prepare the campaign materials and activities. Three major media markets—Columbia, Greenville, and Charleston—have been targeted for publicity efforts.

State officials launched the campaign with a press conference in each of the three cities to announce the local area's conversion to the computer system and to explain how the computer's online wage match capability enhances fraud detection. Food stamp officials used these forums to urge recipients, through the news media, to "tell the truth" because the means to detect unreported income now exists. In Columbia, State agency staff gave media representatives a demonstration of how the computer works.

In addition to the press conference, food stamp officials are appearing on a number of radio and television public affairs programs to tout the "tell the truth" message. The consulting firm developed five different public service announcements and distributed them to 90 radio stations throughout the State. South Carolina Commissioner of Social Services James Solomon personally recorded two of the announcements to show his support of anti-fraud efforts.

The campaign is also using special posters to reach the public. The State has distributed two posters—each picturing a video display terminal with "Tell the Truth" shown on the screen—to County food stamp offices, public housing projects in the three targeted cities, and agencies that work with low-income people.

At the campaign's conclusion, the contractor plans to evaluate the impact and effectiveness of the publicity effort by interviewing a sample of food stamp recipients in each of the three major media markets. Meanwhile, South Carolina officials have already gathered anecdotal evidence that food stamp clients know the computer is "the new box that's going to catch us."

■ *For more information contact: Leon Love, Director, Food Stamp Division, South Carolina Department of Social Services, (803) 758-0086.*

New Brochure Gives Kent County Clients the Facts

In Grand Rapids, Michigan, County welfare employees are dedicated to meeting the needs of their clients.

Front-line staff (participants in a Quality Circle described in the November 1984, *State-to-State*) recently prepared a pamphlet that has proved to be a cost-effective tool in disseminating detailed information to clients.

The pamphlet contains information on the Food Stamp Program, and other programs such as Aid to Families with Dependent Children, General Assistance, and Medicaid. Clients can take the pamphlet home and save it. It has 10 graduated pages to index the subjects and is printed in English and Spanish. The pamphlet addresses subjects of real interest to clients: helpful hints about the first appointment, general eligibility requirements, food stamp pickup specifics, and types of verification clients should bring to their appointment.

■ *For more information contact: Allen DeJonge, Kent County Department of Social Services, (661) 247-6341 or 247-6495.*

Conferences '85

For the past 3 years, as a part of its Operation Awareness effort, FNS has sponsored national and regional conferences to enable local, State, and national staffs to meet and exchange ideas on Food Stamp Program management. This year's conferences have been particularly successful and we'd like to share with you some of the highlights.

The national conference, held June 4-5 in Washington, D.C., was sponsored jointly for the first time by FNS and the Health and Human Services Department's Office of Family Assistance (OFA).

This joint sponsorship is a significant step for those involved in running the Food Stamp (FS) and Aid to Families with Dependent Children (AFDC) programs. Separate legislation governs the two programs; two Congressional committees oversee them; and two Cabinet Departments run them at the Federal level. The focus of this year's conference concerned State and Federal efforts to work together to coordinate AFDC and the FSP. The conference was intended to help the attending State Welfare Commissioners and other top management officials from 50 States and territories to effectively manage both programs.

In his keynote address, Secretary of Agriculture John R. Block discussed the progress that has been made in error reduction in the Food Stamp Program. Secretary Block presented awards to eight States. Nevada for maintaining the lowest error rate in the country; California for leading the way in fraud and error prevention in a county administered environment; Vermont for its "model" automated system; South Dakota and Missouri for significant progress in reducing their error rates; Indiana for the lowest food stamp issuance loss rate in the Nation; New Jersey for being a leader among larger, urban States in recovering benefits issued in error; and Tennessee for its exceptional work in pioneering error reduction through automation.

One of the highlights of the conference was the automation exposition. This was a "live" one-half day demonstration of selected FS/AFDC automated systems that gave conference attendees an opportunity to see and share information about actual systems hardware and software in operation. States demonstrated their computerized systems for eligibility determination, certification, and claims collection, as well as other applications for the administration and management of both programs.

FNS Administrator Robert E. Leard spoke to the conferees and suggested that they now need to use "PACT"—prevention, automation, commitment, and training—to reduce error rates. With PACT, managers can prevent errors before they lead to program losses; expand the use of automation in the certification and eligibility process; commit all management levels to the goal of lowering error rates; and devote more attention to training programs for eligibility workers. Leard said that he expects this approach, if aggressively pursued, to produce a significant reduction in States' error rates.

The Under Secretary of Health and Human Services (HHS) Charles D. Baker also spoke and said that HHS wants to concentrate on the three E's—"effectiveness, equity and efficiency." He presented awards to seven counties and States.

National conference workshops and panels included sessions on management information systems planning, automated verification, the impact of automation, claims, role of executive management in systems, and techniques for improving program management and work programs.

FNS Deputy Administrator Virgil L. Conrad and Michael de Maar, Director of OFA's Office of Policy and Evaluation, discussed FNS and AFDC efforts to develop regulations more consistent with each other.

Nearly 150 conferees—including representatives from 19 States, several Federal agencies, and almost half of the counties in California—participated in the FNS Western and Mountain Plains biregional conference called "**Maximizing Resources/Minimizing Error and Fraud.**"

The meeting was held in July in San Francisco and featured a variety of topics.

A live online computer demonstration of System 2000 by the USDA's Office of Information Resource Management proved to be a popular attraction. System 2000 is a data-

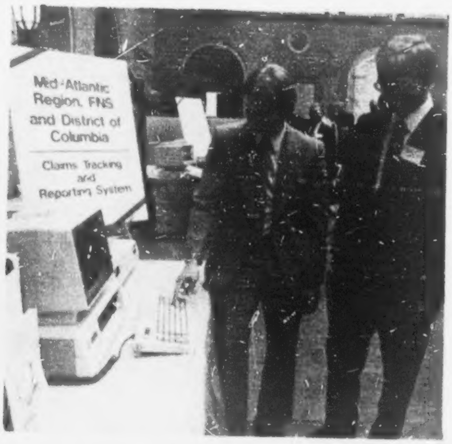
Commissioner Marguerite Sallee accepts the Tennessee award from Secretary of Agriculture John R. Block (right) and Assistant Secretary John W. Bode (left). Tennessee has done exceptional work in pioneering error reduction through automation. Its Clearinghouse System, implemented 3 years ago, continues to evolve and has become a model for other States to follow.

(Right) Hassan Alpan explains the Illinois automated intake system to Expo attendees. The system gives intake workers access to video data terminals for client interviewing and eligibility determination assistance.

The Expo featured a "live" one-half day demonstration of food stamp and AFDC automated systems from Delaware, New York, North Dakota, Vermont, Texas, Illinois, Tennessee, and the FNS Mid-Atlantic region with the District of Columbia.

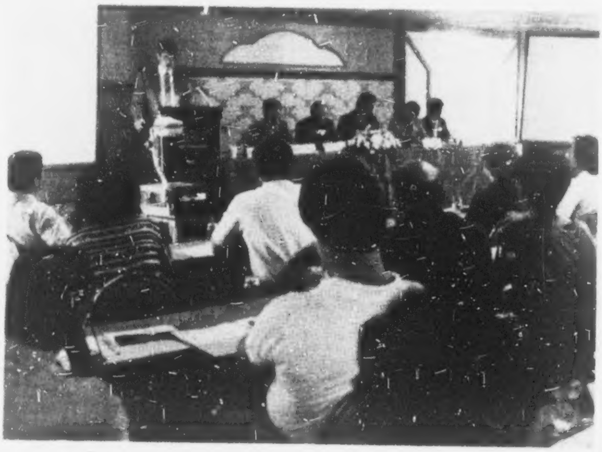
Joanne Ichimura-Hoffmann, California Department of Social Services, explains the use of special verification workers at the county level to check on applications before benefits are issued.

Jo Anne B. Ross, Associate Commissioner of HHS' Office of Family Assistance, chats with FNS Midwest Regional Administrator Monroe Woods.


Mid-Atlantic Region, FNS and District of Columbia
Claims Tracking and Reporting System

The Claims Tracking and Reporting System was one of eight exhibits featured at the national conference's automated systems "Expo."

"Maximizing Resources/Minimizing Error and Fraud" was the theme of FNS' Western and Mountain Plains biregional conference. Guest speakers Virgil Conrad (above) and Robert E. Leard (right) discussed current initiatives.



base management system that allows managers to analyze their caseload characteristics and to screen the caseload for error or fraud cases.

Julie Osnes of South Dakota, Charles Sweeney of Iowa, and Bill Bridge of Utah gave a presentation on planning and implementing successful Project Integrity campaigns.

The panels on claims management and collection techniques were well received. Participants were especially interested in Nevada's approach, presented by Carol Boyce, that stresses worker accountability and a multilevel review process. Attendees were also eager to learn more about automated claims tracking and collection systems, such as the one described by Susan Rolls of Missouri.

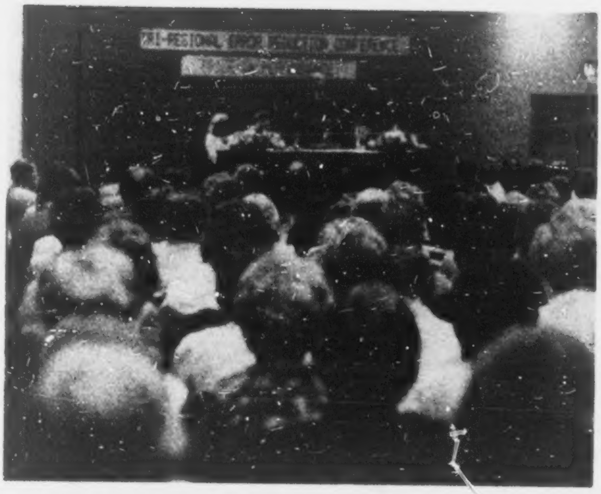
The panel featuring presentations by Diane Ross of Arizona on the "Expenses Exceed Income" project, John Barber of Iowa on effective interviewing, and Milt Suttle of Ventura County, California, on front-end investigations generated a good deal of State and local interest.

Over 350 officials participated in the **Tri-Regional Error Reduction Conference** last May in Nashville, Tennessee. The conference featured presentations on successful food stamp error reduction techniques being used by local, State, and Federal program administrators.

The workshops covered recipient claims, automation efforts, enhanced funding activities, corrective action projects, issuance concerns, current legislative issues, the "Make Your Food Dollars Count" project, job search, and workfare.

Several States discussed their efforts to increase the number of recipient claims established and collected. Illinois, Florida, Georgia, and Arkansas discussed their automated systems for managing claims.

Joan B. Hoskins discussed Kentucky's training plan for workers on proper claims poli-



Over 350 officials participated in the Tri-Regional Error Reduction Conference last May in Nashville, Tennessee. (Above) FNS Regional Administrator David Alspach makes a point. Sponsored by the FNS Midwest, Southeast, and Southwest regional offices, the meeting was called "Pride in Performance," and had standing room only for most of its general sessions and 34 workshops. The conference featured successful local, State, and Federal error reduction techniques.

GALLUP
NEW MEXICO

Nutrition and Technical Services directors June Burkett and Polly Miller stand before the "Make Your Food Dollars Count" exhibit at the Nashville conference. FNS has been sponsoring workshops across the country to help food stamp recipients shop wisely.

A highlight of a workshop about automated mail issuance was an on-site tour of the Tennessee Department of Human Services' automated direct mail issuance facilities. Here, a department employee explains how client reminders are stuffed with the monthly coupon allotments.

cies, and Bill Whalen described Texas' use of private collection agencies to recover inactive and deliquent claims.

Other important workshop topics concerned specific error reduction activities. Gwendola Jones of Florida and Carl Williams of Arkansas discussed "Project Integrity."

Ann Ruffin of Arkansas and Billy Davis of Florida discussed collocating investigators and eligibility workers (EW's) as a deterrent to intentional program violations (IPV).

Minnesota explained its "Maxcat" project, Tennessee its Case Reading Statistical System (CARESS), and Georgia and New Mexico described their intensified supervisory review.

Jerry Abel and King Cox discussed Texas' Quality Improvement Project.

FNS Northeast Regional Administrator Harold McLean joins Veronica Celani, Commissioner, Vermont Department of Social Welfare, in welcoming participants to Burlington, Vermont, for the biregional conference.

Nutrition
Food
Program

Richard Chevrefils, Director, and Mary Mongan, Acting Commissioner, New Hampshire Department of Health and Welfare, chat with Lynda Silva (far right), FNS food stamp director for the Northeast region. "Gaining Ground: Building on Our Achievements" attracted 120 participants from New England and the Mid-Atlantic States.

Using the theme, "**Gaining Ground: Building on Our Achievements**," the FNS Mid-Atlantic and Northeast regional offices joined forces in April to host a food stamp Operation Awareness conference in Burlington, Vermont. Keynote speaker Assistant Secretary of Agriculture John Bode cited results of States' current error reduction strategies and discussed proposed legislation.

Delaware, Maine, and Connecticut were specifically recognized for their achievements in improving the Food Stamp Program. In addition, Don Roberts of the West Virginia Department of Human Services was cited for his cooperative relationship with FNS over the life of the Food Stamp Program. While working for the McDowell County welfare office in 1961, Roberts handed out the Nation's first food stamps.

State personnel from across the country offered straightforward, specific strategies in workshop sessions that covered major accountability areas—claims, issuances, fraud control, vertification, and error reduction.

One of the most popular speakers was Evert Vermeer, of Kent County, Michigan, who described his staff's use of management and program initiatives in the Food Stamp Program. James Fravel of Connecticut discussed interviewing and automation, pointing out that automation does not reduce the need for skilled interviewers.

Another well-attended workshop focused on claims development and collection, and featured STAFF team members Rosalind Pidgeon of New Hampshire and Pauline Glenn of Burlington County, New Jersey.

States offered new commitments to making program improvements after attending the various workshop sessions, and exchanging ideas with other program administrators. Among the 120 participants, there was a sense of renewed enthusiasm.

■ *For more information on these meetings, contact the appropriate FNS regional office.*

Special Efforts

All FNS regional offices have special resource teams to help States combat fraud, waste, and abuse. Here's a story about a winning combination that has been especially successful in providing technical assistance to 14 Eastern States.

Two Regions Recruit a Team of Anti-Fraud Experts

Last fall, the Mid-Atlantic and Northeast regional offices of FNS formed a County-State-Federal team to combat waste, fraud, and abuse in the Food Stamp Program. This team of anti-fraud experts is known as STAFF, an acronym for Special Technical Assistance for Anti-Fraud Funding. The STAFF team was organized to increase the effectiveness of anti-fraud resources in a 14-State area by sharing the anti-fraud expertise of its members.

Along with Federal personnel, the team is comprised of six representatives from New Hampshire, Maryland, Rhode Island, and Union and Burlington Counties in New Jersey. Team members have conducted 15 technical assistance missions to date.

Specifically, the STAFF project seeks to increase claims collections as well as fraud disqualifications and prosecutions. To do this, STAFF members visit interested counties and States and help them establish claims collection units, set up fraud prevention sections, and arrange cooperative agreements between local investigators and prosecutors.

Two STAFF representatives have made exceptional progress in their efforts to reduce fraud. Their accomplishments are highlighted in the companion articles below.

■ *For more information about STAFF contact: John Sullivan, FNS Mid-Atlantic Regional Office, (609) 259-5216, or Robert Labbe, FNS Northeast Regional Office, (617) 272-0888.*

New Hampshire's Claims Chief Organizes a Model System

Two years ago, New Hampshire faced Federal sanctions for lack of accountability in handling food stamp claims. Responsibility for establishing and collecting claims was scattered among 12 district offices, the Office of Economic Services, and the Office of Accounting, leaving no one wholly in charge.

Realizing that "too many cooks were spoiling the broth," the State decided to centralize its operation. Today, New Hampshire has a new Bureau of Food Stamp Recoveries (BFSR) that is being cited as a model. Much of the credit goes to the bureau's chief, Rosalind Pidgeon, who developed a better system for processing claims.

Pidgeon has shown that gains are possible from good organization and central accountability. In its first year, the newly formed BFSR established 1,045 claims—more than 60 percent of those referred—and nearly doubled collections from $75,533 to $121,616. From that total, New Hampshire retained $37,690 in anti-fraud incentive payments.

An employee of the Department of Health and Welfare for 10 years, Pidgeon worked with Medicaid claims before taking charge of the new unit. She brought a proven record of organizational skill to her new position. With a team of 4 technicians and a program specialist, Pidgeon first analyzed and then consolidated many of the functions formerly scattered among 14 different offices.

Today, most potential claims are still identified by district offices, but the task of establishing and collecting them is now handled by BFSR technicians. The technicians regularly visit the State's 12 district offices to review files and to determine which ones qualify as claims. (BFSR staff also screen Department of Employment Security wage match data to spot potential claims.)

Once a claim is established, the BFSR bills the clients and sets up payment schedules or arranges for reductions in allotments.

Good recordkeeping is essential. The staff maintain a record of all payments and forward it to the accounting division. Each BFSR worker uses a computer terminal to store data and to check on the status of the caseload. The overall design of BFSR records is simple and compatible with those required by FNS.

In addition to these activities, bureau staff members also review intentional error cases and either initiate administrative disqualification proceedings or make referrals to the Office of Special Investigations. The BFSR represents the State when a client requests a hearing.

As a member of the NERO/MARO STAFF team, Pidgeon has an opportunity to share the ideas that have worked for New Hampshire. Claims workers from Maine, Vermont, and Rhode Island food stamp programs recently visited Concord to observe the BFSR system of documenting and processing claims. Massachusetts has also requested written information about New Hampshire's claims operation. Even States with computerized operations have learned something of value from Pidgeon's manual system of logs, index cards, and ledgers. Pidgeon enjoys "walking through" the steps that have made New Hampshire's claims collections process a model operation.

■*For more information contact: Rosalind Pidgeon, Chief, Bureau of Food Stamp Recoveries, New Hampshire Division of Welfare, (603) 271-4405.*

Rosalind Pidgeon, Chief of New Hampshire's Bureau of Food Stamp Recoveries.

New Jersey Prosecutor Coordinates a Special Investigative Team

The Welfare Fraud Unit of New Jersey's Union County is unique in the Nation. There, county board of social services investigators are teamed up with investigators from the county prosecutor's office under one roof to pursue a single aim—to track down and prosecute welfare cheaters.

The idea of combining investigative staff for maximum results originated with Union County Prosecutor John Stamler 6 years ago, and has been coordinated and made highly successful by Assistant Prosecutor Ralph Sullivan.

Since Sullivan began supervising the new fraud unit in July 1979, Union County investigators have handled 9,819 cases of suspected welfare fraud and uncovered fraud amounting to more than $8 million. More than $1.5 million of that amount has been recovered.

Combining investigative personnel has increased the quality of investigations and productivity because both teams help each other. The investigators from the board of social services educate the prosecutor's staff in the in's and out's of welfare regulations and how to calculate overpayments. In turn, the investigators from the prosecutor's office help their social service counterparts conduct surveillances, take statements, and obtain criminal history records.

Working together, the investigators have been able to shorten the time between the completion of an investigation and an ensuing indictment. Cases have received more followup, too, and captured the attention of both the courts and the general public.

A valuable member of the STAFF team, Assistant Prosecutor Sullivan is putting his expertise to work by helping other State and local agencies obtain Federal funding for welfare fraud investigations and prosecutions.

In June, Sullivan visited the Virgin Islands to help officials prepare a Food Stamp Program prosecution agreement between its Department of Social Welfare and the Department of Law. This agreement will help the Virgin Islands to obtain 75 percent Federal reimbursement from FNS for investigations and prosecutions.

■*For more information contact: Ralph G. Sullivan, Assistant Prosecutor, Union County, New Jersey, (201) 527-4624.*

Supporting Front-Line Staff

Case Review System Makes Nevada Tops in Claims Collection

In Fiscal Year 1982, Nevada was only collecting 12.04 percent of the claims it established against food stamp recipients—5 percentage points below the national average. Two years later, Nevada collects over 70 percent of its claims (over twice the national average), and ranks first among the States not only in the percentage of dollars it collects but also in the percentage of potential overissuances it actually establishes as claims.

This remarkable turnaround is the result of a commitment by Nevada to make establishing and collecting claims a management priority.

To make this priority a reality, Nevada set a standard for food stamp staff to strive for when handling claims. This "performance standard" is now an element in each employee's job rating. State food stamp staff are expected to investigate, process, and begin claims collection within 90 days of discovery.

According to State officials, establishing a claim is the most difficult part of the collection process. Nevada solved this problem by implementing a multilayered case review system. Nearly 90 percent of all cases are now reviewed by at least one person, and this additional scrutiny augments error detection and speedy referral.

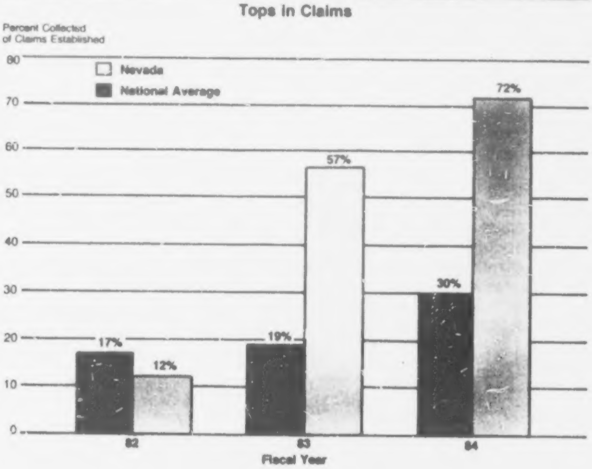
At the field office level, casefiles may be reviewed by peers, the unit supervisor, or internal reviewers. The staff pay particular attention to cases that are affected by changes in food stamp regulations. Next, cases are "spot reviewed" at the central office by program specialists during the biannual field office reviews, and may be included in quality control reviews.

Most of Nevada's overissuance cases are detected and established as a result of these casefile reviews.

Once a case of overpayment is detected and established, the information is fed into Nevada's computer system. The computer automatically sends out demand letters and late payment reminder notices, and keeps track of payments and the account balance. The computer also prevents a client with an unpaid claim from reapplying for benefits as a "new" client.

By automating collection procedures and emphasizing the speedy detection and establishment of claims, Nevada now collects nearly three-quarters of all the claims it assesses.

For more information contact: Gerry Selover, Food Stamp Program Specialist, Nevada Department of Human Resources, (702) 885-4366.



Wyoming Detectives Stalk Case Error Culprits

This fall, the Wyoming division of public assistance is using humor and an innovative method to help public assistance workers avoid tricky case errors. Using a monthly newsletter column, Wyoming is testing a detective game that features colorful characters who play an inspector and his assistant and various food stamp clients. Caseworkers "join" the detectives each month as they unravel the mystery of real life quality control cases. To solve the question of "whodunit," staff dig for clues that can be seen with the naked eye—in FNS policy letters and other office memoranda. Each month the first eligibility worker who determines the correct answer is rewarded and the solution is printed in the next month's policy letter to the States.

By making program policies less mysterious and easier to understand and remember, Wyoming hopes to make case errors vanish in thin air.

For more information contact: Clay Alexander, Program Consultant, Wyoming Division of Public Assistance and Social Services, (307) 777-6083.

Food Stamp Facts

- Approximately 65 percent of all food stamp certification offices calculate benefit levels by computer.
- Colorado has purchased a "readability" program for its inhouse WANG system. The State uses the program to edit food stamp forms and notices so that clients can read and understand them.
- Montana has a new simplified certification manual for eligibility workers. The manual eliminates overly complex instructions and simplifies the certification process.
- FNS regional offices are disseminating three of the Nation's best QC data analysis packages to States. The packages—from Oregon, Maryland, and Michigan—can be used to support food stamp corrective action planning and monitoring at both the State and local levels.
- Arizona is using professionally recorded "informercials" to remind food stamp recipients of their client responsibilities. The informercials, recorded in both English and Spanish, are prerecorded messages that are played, along with music, in certification offices. The tapes concentrate on certification items that are frequent sources of client error, and may be used in other States.

Recent Publications

- **Eligibility Worker Desk Reference Guides.** A recent collection of guides to food stamp certification is available to help both the new and the experienced eligibility worker. Published in June, the guides include charts of household composition, the certification process, and sources of verification.

  For camera-ready copies, contact your FNS regional office.

- **Catalog of Program Improvement Activities.** This catalog is published annually by the FNS national office and is distributed to all States and FNS regional offices. The 1985 catalog contains successful State and local management strategies for certification, issuance, claims, anti-fraud activities, technical assistance, and job search.

  For more information call (703) 756-3496, or write: Fraud, Waste, and Abuse Prevention Section, Food and Nutrition Service, 3101 Park Center Drive, Room 615, Alexandria, Virginia 22302.

- **Front-End Verification Specialists/Investigators - A Key to Error Reduction.** This booklet describes successful ways States and Counties employ investigators and eligibility workers to prevent dollar losses, fraud, and error. The booklet presents practical information for State and County managers to use when deciding where to concentrate prevention activities and personnel.

  For more information call (703) 756-3496, or write: Fraud, Waste, and Abuse Prevention Section, Food and Nutrition Service, 3101 Park Center Drive, Room 615, Alexandria, Virginia 22302.

- **Evaluation of Relative Cost-Effectiveness of Corrective Actions.** Touche Ross conducted this study for the Department of Health and Human Service's Office of Family Assistance to help them identify the most cost-effective ways to reduce AFDC error rates. Although the study is limited to AFDC, the findings suggest certain corrective action strategies that may also be cost-effective when applied to the Food Stamp Program.

  For more information contact: Department of Health and Human Services, Office of Family Assistance, 2100 2nd Street, S.W., Washington D.C. 20201.

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The Food Stamp Program is an equal opportunity program. If you believe you have been discriminated against because of race, color, national origin, sex, age, handicap, religious creed, or political beliefs, write immediately to the Secretary of Agriculture, Washington, D.C. 20250.

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Prints of photos may be obtained from Photo Library, U.S. Department of Agriculture, Washington, D.C. 20250.

WORK REQUIREMENTS

Mr. WHITTEN. Please provide for the record a table showing the number of persons by State who would be eligible for the employment and training program as a condition of receiving food stamp benefits compared to the universe of the recipients in each State.

Mr. LEARD.

[The information follows:]

Provided is a chart which shows average monthly participation by State in Fiscal Year 1985 and the estimated number of work registrants, determined by multiplying the percentage of work registrants identified in the State's Fiscal Year 1985 quality control sample by average participation.

Several qualifications should be noted. First, the nine States identified with an asterisk have special QC samples that need further analysis to provide truly accurate percentages. Second, some of the variations among States in work registrant percentages are unexpectedly large and may reflect differences in recording or coding work registrant status. Finally, these estimates reflect only possible work eligibles; States can exempt a large portion of work registrants under the statue.

[In thousands]

State	Average monthly participation fiscal year 1985	Estimated number of work Registrants
Alabama	588	62
Alaska[1]	22	2
Arizona	206	23
Arkansas	253	20
California[1]	1,615	45
Colorado[1]	170	12
Connecticut	145	7
Delaware	40	2
District of Columbia	72	3
Florida[1]	630	33
Georgia[1]	567	36
Guam	20	1
Hawaii	99	5
Idaho[1]	59	6
Illinois[1]	1,110	82
Indiana	406	55
Iowa	203	44
Kansas	119	10
Kentucky	560	98
Louisiana[1]	644	77
Maine	114	11
Maryland	291	14
Massachusetts[1]	337	4
Michigan[1]	985	25
Minnesota	228	25
Mississippi	495	36
Missouri	362	37
Montana[1]	58	7
Nebraska	94	7
Nevada	32	4
New Hampshire	28	2
New Jersey[1]	464	16
New Mexico	157	17
New York	1,834	86
North Carolina	474	23
North Dakota	33	3
Ohio	1,133	35
Oklahoma	263	27
Oregon[1]	228	31
Pennsylvania	1,032	33

[In thousands]

State	Average monthly participation fiscal year 1985	Estimated number of work Registrants
Rhode Island	69	1
South Carolina	373	35
South Dakota[1]	48	5
Tennessee	518	62
Texas[1]	1,263	99
Utah	75	4
Vermont	44	3
Virginia	360	40
Virgin Islands	32	2
Washington	281	13
West Virginia	278	20
Wisconsin[1]	363	29
Wyoming	27	3
Total	19,901	1,362

[1] States with stratified QC samples.

NUTRITION ASSISTANCE FOR PUERTO RICO

Mr. WHITTEN. What is the present status of the cash-out of the nutrition assistance for Puerto Rico?

Mr. LEARD. The Food Security Act of 1985—P.L. 99-198—reaffirmed Congress' intent that Puerto Rico be permitted to provide cash benefits to recipients under the Commonwealth's nutrition assistance grant program. This intent has been previously set forth in Public Law 98-204—December 2, 1983—but applied only to the period January 1, 1984 through September 30, 1985. The Commonwealth has operated a cash assistance program since inception of the nutrition assistance grant in 1981 and continues to operate such a program. Public Law 99-198 extends authority to Puerto Rico to provide benefits in the form of cash indefinitely.

DEBT MANAGEMENT

Mr. WHITTEN. Please describe for the record in some detail the debt management accomplishments of the agency. Specifically, please discuss the nature of the debt, the primary reasons for delinquent accounts, and the method of collection.

Mr. LEARD. I will provide specific accomplishments for the record.

[The information follows:]

Fiscal Year 1986 collections through February are up to $8.8 million. This amount exceeds prior year collections by about 10 percent.

The development of an automated accounts receivable system for the management of debt collections.

Enhancement of an audit tracking system highlighting accounts receivable.

Revision of the debt management guidelines through the issuance of updated instructions.

A decrease in the level of delinquent receivables to less than 5 percent of the total amount outstanding.

An accelerated process for offsetting state letters-of-credit to effect debt collections.

The promotion of collections from retailers and wholesalers resulting from the highlighting of their delinquent status in monthly reports.

Current sources of indebtedness include: [1]

Food Stamp Program claims against households for benefits improperly received as a result of errors or fraud.

Quality control sanctions levied against States in the Food Stamp Program.

Food Stamp coupon losses from State and local inventories and through mail issurance.

Commodities destroyed or damaged in storage.

Audits and investigations of State and local agencies, nonprofit institutions, retailers and wholesalers participating in FNS food programs.

SUB-OBJECT CLASSIFICATION FOOD PROGRAM ADMINISTRATION

Mr. **WHITTEN**. Please provide for the record a list of expenses and a sub-object classification for other services.

[The information follows:]

OTHER SERVICES—FISCAL YEARS 1985, 1986, AND 1987

[Dollars in thousands]

	1985 actual	Estimated 1986	Estimated 1987
Food Program Administration:			
Centrally Funded Services (excluding ADP)	816	848	882
Training	207	81	81
Equipment maintenance and repair	424	441	459
ADP related costs	1,495	2,026	3,778
Miscellaneous costs	621	646	656
Totals	3,563	4,042	5,856

EVALUATION AND DEMONSTRATION

Mr. **WHITTEN**. For each program, briefly describe each evaluation and demonstration project you are conducting in fiscal year 1986 and fiscal year 1987, including the estimated cost of each.

[The information follows:]

EVALUATION AND DEMONSTRATION PROJECTS

Program: Child Nutrition

Ongoing projects	Estimated cost, fiscal year—	
	1986	1987
Child Nutrition Analyses/Modeling	$471,443	$300,000
Child Care Food Program Study	688,759	420,000
Summer Food Program Study	396,148	0
Commodity Donation Study: Demo	241,919	150,000
FNIC Library	45,000	45,000
Miscellaneous	70,000	40,000

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[1] Primary reasons for delinquent accounts are the insolvency of large numbers of individual recipients of relatively small accounts. Since these people are indigent and lack sufficient resources, collection of the receivables is remote if not impossible. Recipient claims characterize about 95% of total agency debt. It is anticipated that the collection of Food Stamp quality control sanctions, however, will increase as a lengthy periods of litigation come to an end.

EVALUATION AND DEMONSTRATION PROJECTS—Continued

Ongoing projects	Estimated cost, fiscal year— 1986	Estimated cost, fiscal year— 1987
New Starts in 1986:		
Income Verification Regulations Assessment	200,000–271,000	271,000

The Department implemented verification regulations in June 1984. This project will supplement ongoing data collection with a more in-depth study that will address such critical issues as the cost-effectiveness of alternative income verification methods, barrier effects, implementation of verification procedures, impact of State wage match and up-front verification.

Training and Technical Assistance	60,000–110,000	150,000

The project will improve program administration through federal technical assistance and use of exemplary practices developed by States and localities.

National Commodity Processing Sales Verification	70,000	0

The objectives of this study are to estimate the proportion of national commodity processing sales erroneously reported to FNS, overall and by food processors; and to determine whether recipient agencies properly receive refunds or discounts equal to the value of USDA donated commodities.

New Starts in 1987:		
Child Nutrition Program Operations/Study of Severe Need	0	645,000

This project will examine selected aspects of the Child Nutrition Programs through descriptive surveys. One of the areas to be studied is the characteristics of schools that receive severe need subsidies in the School Breakfast Program.

Program: WIC

Ongoing projects	Estimated cost, fiscal year— 1986	Estimated cost, fiscal year— 1987
Small State Agency	$29,600	0
FNIC Library	40,000	$45,000
Miscellaneous	10,000	0
New Starts in 1986:		
High Priority Participants	473,360	156,640

While retaining caseloads at current levels, this project is designed to assist in improving the targeting of benefits to those women and infants determined to meet State criteria established for nutritional risk on the basis of medical documentation. The project will also review methods to improve early enrollment in WIC, so as to maximize the cost-effectiveness of WIC benefits.

Vendor ID	160,000	0

This study will identify and develop specifications and field test practical methods that States could employ to cost-effectively associate WIC food instruments with the vendor at which they were redeemed, for improved accountability.

Income Verification Study	814,500	0

It has been suggested that the current self-declaration process by which WIC participants become income-certified may lead to misreporting and fraud. This study will examine the incidence of income-misreporting; the types of income sources that are underreported; identify characteristics closely associated with misreporting; and examine the cost-effectiveness of implementing alternatives.

Wayne County Smoking Reduction Demonstration Project	250,000	100,000
Interagency Agreement with the Center for Disease Control (Smoking Reduction)	200,000	200,000

These two projects will develop and demonstrate alternative strategies to provide counseling for smoking reduction among pregnant and postpartum WIC women.

Nutrition Education (Breastfeeding)	326,540	150,000

The study will identify effective nutrition education methods related to breastfeeding and evaluate their potential use in the WIC program; develop educational pamphlets; field-test the methods and materials; and develop guidance on improved nutrition education methods for technical assistance to State agencies.

New Starts in 1987:

Analytic Studies	0	348,360

This contract will provide specified and ad hoc policy analyses concerning the WIC Program, using existing data bases including the Survey of Income and Program Participation, the National WIC Evaluation, and the WIC Participant and Program Characteristics Study.

WIC 1988 Characteristics Survey	0	750,000

This project will describe WIC participants and program services.

State Nutrition/Health Data	0	150,000

This activity will determine the feasibility of developing a standardized national nutrition and health data system for WIC and CSEP, while still providing State Agencies the flexibility to maintain existing data bases. Such a system could produce a series of National reports on the health and nutritional status of WIC/CSFP participants.

Prototype ADP	0	100,000

The study will provide for the development of a generic set of "state-of-the-art" specifications for WIC automated management information systems. These specifications would assist WIC state agencies in correcting system deficiencies and provide guidance to those agencies contemplating the design/acquisition of a new WIC ADP system.

Program: Food Stamps

Ongoing projects	Estimated cost, fiscal year—	
	1986	1987
Evaluation of State Initiated Projects	$390,000	0
FS Analytic Studies	200,000	$100,000
Alternative Issuance Evaluation	220,000	0
Microsimulation	810,000	0
Support for SIPP	228,000	300,000
Miscellaneous	42,700	25,000
New Starts in 1986:		
Feasibility of Off-line System Applications	350,000	0

The investigation will determine the relevance and practicality of applying on-line and off-line systems for Food Stamp Program operations in view of the rapidly changing technology, lower costs, and anticipated user trends in regard to integrated Electronic Benefit Transfer.

Administrative Cost Study	1,200,000	

The project will develop valid and comparable estimates of the administrative costs of certification and case maintenance activities in the Food Stamp Program; distinguish the effects of caseload characteristics from other effects; and develop measures of administrative efficiency an error that adjust for caseload and other uncontrolled differences.

Enhancements to FS Redemption System	150,000	0

This will assess the feasibility of changes to the coupon redemption process that are designed to improve accountability and efficiency. The project will examine such improvements as bank verified deposit slips, magnetically encoded coupons, special coupon codes, and so forth.

Extended Electronic Benefit Transfer Demo/Evaluation	1,050,000	0

The purpose of this study is to enhance and integrate the existing electronic benefit transfer demonstration with operations of the Pennsylvania Department of Public Welfare as well as to assess the costs and benefits of the extended electronic benefit transfer demonstration on major constituencies.

Evaluation of Front End Matching	500,000	250,000

The research will estimate the costs and benefits associated with front-end matching procedures judged to be effective; examine the relationship between front end matching, monthly reporting, and recipient tailored certification periods as methods of benefit loss reduction; and develop guidelines for implementing good systems.

QC Study—National Academy	800,000	0

The Food Security Act of 1985 requires USDA to contract for a review of the Food Stamp Quality Control system by the National Academy of Sciences. The focus of this contract is on the provision of data for both an error liability system and management improvements.

TEFAP Survey	1,000,000	0
This study is a nationally representative survey of distribution site operators and recipients of TEFAP commodities. Its purpose is to describe the characteristics, policies and operating procedures of the distribution sites and to describe characteristics of TEFAP recipients including basic demographics and socioeconomic features.		
TEFAP State Commodity Characteristics	60,000	0
This study is required by the Food Security Act of 1985 and is intended to describe the manner in which TEFAP commodities are distributed to recipient agencies as well as to gain some insight into the costs associated with their distribution. Specifically, this study will examine the volume and types of commodities distributed under TEFAP; the types of State and local agencies receiving commodities for distribution under the program; the Federal, State, and local costs of commodity distribution operations under TEFAP; and the amount of Federal funds provided to cover State and local costs under the program.		
Quick Response Studies	1,000,000	554,700
These studies provide information on Food Stamp Program operations and analysis of policy issues.		
New Starts in 1987:		
One-Tier QC Demo/Evaluation	0	2,000,000
The project will pilot test a one-tier Quality Control system run by Federal employees in two States and determine the feasibility, costs, and accuracy of the one-tier system.		
Microsimulation	0	800,000
Estimate the effects of potential changes to the Food Stamp Program on the number of characteristics of eligibles and participants.		
Make Your Food Dollars Count	0	150,000
Some food stamp households spend their total monthly food stamp allotment during the first few weeks. This study wil demonstrate how this multimedia nutrition education information project can be effective in helping food stamp households stretch their resources throughout the month.		
Work Stratcgies for Long Term FS Recipients	0	671,300
This project will test the feasibility and effectiveness of a food stamp sponsored intensive work program for the long-term unemployed recipient.		
Integrated EBT System Demo/Evaluation	0	1,000,000
This will test the feasibility and compare the impacts of electronic benefit transfer systems that are integrated with food retailer UPC scanner systems and/or electronic funds transfer networks.		
Program Operations Studies	0	500,000
This project will enable FNS to package its information needs into a "modular" survey which can be repeated periodically thereby meeting a recurring need for accurate and timely data on State and local operations.		
Computer Assisted Oversight of Retailers	0	100,000
The study will identify and compare National, Regional and Field Office use of automation and expanded data bases in the oversight of retailer participation in the Food Stamp Program.		
Employment and Training Program Evaluation	0	1,450,000
This project will evaluate the effectiveness of employment and training programs implemented by the States in responses to the Food Security Act of 1985.		
Simplified Application Evaluation	0	1,000,000
This evaluation will assess the effectiveness of simplified applications in reducing certification errors and determine the effect on administrative costs of certification as mandated by the Food Security Act of 1985.		

CHILD NUTRITION PROGRAMS SUPPLEMENTAL

Mr. WHITTEN. In the fiscal year 1980 Appropriations Act for child nutrition programs Congress provided "that only claims for reimbursement for meals served during fiscal year 1980 submitted to State agencies prior to January 1, 1981, shall be eligible for reimbursement." In further appropriating Acts, Congress allowed a September reimbursement provision but discontinued the language in fiscal year 1982. The Department has continued the practice of paying prior year claims in the next fiscal year. In our fiscal year

1985 report language, it was pointed out to the Department that the Committee expected the Department to submit a supplemental request to address the continuing shortfall. When will the Department request the supplemental?

Mr. LEARD. The Administration does not plan to submit a supplemental for Fiscal Year 1986. Since Fiscal Year 1980, we have obligated meal reimbursement funds in accordance with the funding decisions made by the Congress at that time. We have not found the practice to be harmful recipients.

CHILD NUTRITION PROGRAMS FUNDING SHORTFALL

Mr. WHITTEN. What was the shortfall in funding at the end of FY 1985? What is it expected to be in FY 1986?

Mr. LEARD. The funding shortfall at the end of Fiscal Year 1985 was $125 million. We are projecting that it will be at that same level at the end of Fiscal Year 1986.

NUTRITION ASSISTANCE FOR PUERTO RICO

Mr. WHITTEN. Please provide a detailed breakout of the funds for nutrition assistance to Puerto Rico. How much was spent on studies, printing, administration, etc. for FY 1985, 1986 and 1987?

[The information follows:]

The following amounts were budgeted by the Commonwealth and approved by FNS for the fiscal years in question. Puerto Rico's budget for FY 1987 is not due to be submitted until July 1, 1986. The following amounts represent the 50 percent share of Federal funds budgeted to be expended during the fiscal year for the Commonwealth's Nutrition Assistance Program. Expenditure reports that the Department receives from the Commonwealth do not provide detailed breakdowns by individual line item.

	Fiscal year—	
	1985 budget	1986 budget
Personnel Services:		
Salaries, Regular Positions	$14,179,932	$13,315,848
Salaries, Temporary Positions	1,540,176	1,506,912
Professional and Consulting Services	1,368	
Total	$15,721,476	14,882,760
Non-Personnel Services:		
Travel Expenses	354,096	362,004
Other General Expenses	755,508	980,592
Printing	214,776	627,012
Building Repair and Conservation	100,716	63,372
State Insurance Premiums	488,052	496,560
Medical Plans	444,156	448,296
Unemployment Insurance	595,700	437,268
Miscellaneous Services	123,384	341,148
Materials, Supplies and Parts	39,348	104,472
Rent	965,764	943,368
Telephone—PRTC (Local)	128,016	180,000
Telephone—PRCA (Long-Distance)	14,976	23,928
Electricity	138,180	300,000
Water and Sewer	11,160	29,004
Public Building Rent	1,005,288	933,792
Transportation	27,468	12,504

	Fiscal year—	
	1985 budget	1986 budget
Total	5,206,788	6,283,320
Indirect Costs	3,338,076	3,463,188
Total Operating Costs	24,266,340	24,569,268
Special Projects:		
Agro-Industrial Development Fund	404,185	
Crop Protection	3,117,575	500,000
Tick Eradication	8,746,047	8,600,000
Nutrition Education	2,642,780	
Total	14,910,587	9,100,000
Benefits to Participants	785,823,073	791,330,732
Grand total	[1] 825,000,000	825,000,000

[1] Note.—Actual expenditures, as documented in FNS-269 reports, and which are subject to future adjustments, are as follows:

Administrative Costs	$23,612,636
Benefit Costs	786,126,456
Special Projects Costs	14,145,939
Total	823,885,031

HUMAN NUTRITION INFORMATION SERVICE

FISCAL YEAR 1987 BUDGET REQUEST

Mr. **WHITTEN**. The fiscal year 1987 budget proposes a level that is approximately 50 percent less than the fiscal year 1986 appropriation. Please explain the nature of the proposed decreases.

Dr. **HARRIS**. There are two reasons for the proposed decreases. First, the Fiscal Year 1986 appropriations covered data collection for the comprehensive Nationwide Food Consumption Survey—NFCS-87. This survey, which is conducted at approximately 10-year intervals, will take place in 1987. Data collection was funded in Fiscal Year 1986 to permit USDA and the contractor time for planning and preparation. Second, the Continuing Survey of Food Intakes by Individuals—CSF11—will be interrupted to allow the agency time to evaluate the 1985 and 1986 CSF11s and the NFCS-87 to determine the most efficient combination of surveys for providing necessary and current information on food consumption and dietary status.

PRODUCTIVITY IMPROVEMENT

Mr. **WHITTEN**. You are also proposing a decrease of $24,000 as a result of productivity improvements. Please describe in some detail the nature of the proposed improvements.

Dr. **HARRIS**. The Fiscal Year 1986 budget contained funds to portable computers to be utilized in the NFCS. Upon completion of the survey, those computers not utilized in future surveys, such as the CSF11, will be utilized by HNIS staff and consequently lead to productivity improvements.

FOOD SECURITY ACT OF 1985

Mr. WHITTEN. Please provide for the record a list of the assessments and studies required by the Food Security Act of 1985 and what steps HNIS has taken to comply with such requirements.

[The information follows:]

1. In conducting the Department of Agriculture's Continuing Survey of Food Intakes by Individuals and any nationwide food consumption survey, include a sample that is representative of low-income individuals and, to the extent practicable, the collection of information on food purchases and other household expenditures by such individuals;

HNIS' activities related to this area are as follows: the 1985 and 1986 Continuing Survey of Food Intakes by Individuals (CSF11) both include supplemental samples of low-income women 19–50 years of age and their children 1–5 years of age. The NFCS–87 planned for 1987 will include a low-income sample of 3,600 households, and the household segment of this survey will collect information on food use in terms of food purchased.

2. To the extent practicable, continue to maintain the nutrient data base established by the Department of Agriculture; and

The Department has been responsible for maintaining the food composition data base since the early 1990's. The computerized National Nutrient Data Bank was established in the early 1970's. At this time, 12 of the 23 sections in Agriculture Handbook No. 8, the primary national source of technical information on food composition, have been revised and several more sections are nearing completion. The National Nutrient Data Bank now provides data for 28 food components—up from 14 a decade ago. The maintenance and improvement of the nutrient data base is an agency priority.

3. Encourage research by public and private entities relating to effective standards, methodologies, and technologies for accurate assessment of the nutritional and dietary status of individuals.

The Department has been at the forefront in sponsoring and encouraging methodological studies that will improve its ability to accurately assess the nutritional and dietary status of households and individuals. Since the mid 1970's, HNIS has funded 12 major methodological studies. In the last several years, HNIS sponsored two major studies by the Food and Nutrition Board, National Academy of Sciences—"National Survey Data on Food Consumption:

"USES AND RECOMMENDATIONS" AND "CRITERA FOR EVALUATING DIETARY INTAKES OF INDIVIDUALS."

Mr. WHITTEN. Will these requirements be initiated in fiscal year 1987?

Dr. HARRIS. The areas of interest emphasized by the Food Security Act of 1985 are components of on-going work and will continue to be given priority by the Agency.

Mr. WHITTEN. Does the fiscal year 1987 budget reflect these requirements?

Dr. HARRIS. The Fiscal Year 1987 budget supports the analysis of data collected with funding from earlier years. The analysis will focus on diets of the low-income population. Additional methodological work will not be initiated until results from NFCS–87 are in so that the CSFII and NFCS can be evaluated jointly.

CONTINUING SURVEY

Mr. WHITTEN. Will HNIS continue to survey the dietary weaknesses of participants in the supplemental feeding program and the commodity supplemental food program? If so, what is the estimated costs of such surveys and what happens with the results?

Dr. HARRIS. The Administration is interrupting the Continuing Survey—(data collection in 1987 and 1988—to evaluate data from the CSFII and NFCS-87 to help determine the most efficient combination of surveys.

The estimated cost of including a low-income sample of women and young children is approximately $1.2 million per year. The results of the surveys are provided in statistical reports and data tapes of the surveys are made available through the National Technical Information Service. In addition, indepth analyses are undertaken by HNIS, the Food and Nutrition Service, or through extramural projects.

SUB-OBJECT CLASS BREAKDOWN

Mr. WHITTEN. Please provide for the record a sub-object class table for other services for fiscal years 1985 and 1986, and the estimates for fiscal year 1987.

[The information follows:]

HNIS OTHER SERVICES

Object Class 25 other services	Fiscal year—		
	1985	1986	1987
Food Consumption Research	$2,313,867	$7,881,000	$1.595,000
Nutrient Data Research	230,000	330,000	330,000
Diet Appraisal Research	200,000	200,000	200,000
Guidance and Education Research	150,000	150,000	150,000
Support Services	230,000	260,000	280,000
Computer Services	400,000	420,000	440,000
Other Services (repair, maintenance)	110,000	110,000	120.000
Total	3,633,867	[1] 9,351,000	3,115,000

[1] Excludes a transfer of $3,000 to Departmental Administration and $9,000 to Office of Governmental and Public Affairs for reimbursable activities.

STAFF YEARS

Mr. WHITTEN. Please provide for the record why you are proposing a funding level approximately 50 percent less than the 1986 appropriated level and why your budget shows no reduction in staff years.

Dr. HARRIS. Data collection for the CSFII and NFCS is contracted out. The reduction in funding reflects both the completion of the contracting for NFCS-87 and the decision not to collect data for CSFII. HNIS staff has the responsibility for planning the surveys, monitoring their progress, and reporting results in statistical reports and an indepth analyses. These activities are staff intensive. They begin several years before survey data collection starts and continue for several years after data collection ends.

NATIONAL HEALTH AND NUTRITION EXAMINATION SURVEYS

Mr. WHITTEN. Please describe in some detail the differences between your work and that of the National Health and Nutrition Examination Surveys.

Dr. HARRIS. There are two major differences between NFCS and NHANES. They are purposes of the surveys and survey methodology.

[Additional detailed information follows:]

The NFCS data are used for a variety of food and nutrition related issues whereas the NHANES data are used for nutrition and health related issues.

NFCS, since the 1930's, has been designed to meet primarily the food and nutrient consumption information needs of the Department of Agriculture's agriculture, food assistance, and nutrition education programs. NHANES is designed to monitor the nation's nutritional and health status through physical examinations and provide data needed primarily by the Public Health Service.

The NFCS has the following purposes: (1) to measure the food and nutrient content and the money value of food used by U.S. households; (2) to measure the food and nutrient intakes at home and away from home by individuals; (3) to provide information on diets of specific population groups; (4) to describe practices of families in the use of specific foods; (5) to determine the effect of food and nutrition intervention programs on the dietary adequacy of its participants; and (6) to provide information basic to nutrition education efforts.

NFCS data are used extensively in issues related to agricultural production of food and economic demand analyses, in issues related to food safety and toxicology, and in issues about the design and marketing of food.

The purposes of NHANES are: (1) to develop information on the total prevalence of a disease condition or a physical state; (2) to provide information on the interrelationship between health and nutrition for specific population groups; (3) to measure the health and nutritional status of the U.S. population and specific subgroups; and (4) to monitor changes in health and nutritional status over time.

In addition to the differences in purposes of the two surveys, there are several methodological differences between the two surveys: (1) The NFCS collects three consecutive days of dietary data and the CSF11 collects up to six days of dietary data spread over one year; NHANES collects one day of dietary data and the frequency with which selected foods are consumed over an extended period. (2) The NFCS is conducted in a one-year period and provides seasonal data; the NHANES is conducted over a three-year period and does not provide seasonal data. (3) The NFCS interview is conducted by a trained interviewer in the home with all individuals in the household providing dietary data, while the NHANES interview is conducted by a nutritionist in a mobile examination center with only one or two individuals from a household. (4) NFCS attempts to cover all seven days of the week and NHANES covers five weekdays only.

JOINT NUTRITION MONITORING AND EVALUATION COMMITTEE

Mr. **Whitten**. In last year's record you stated that you expected the first report of the USDA-DHHS Joint Nutrition Monitoring and Evaluation Committee to be submitted to Congress in November 1985. Has a report been submitted to Congress? If so, please provide a copy for the record.

Dr. **Harris**. The report of the Joint Nutrition Monitoring Evaluation Committee has been delayed. We will supply the Committee with a copy as soon as it is released.

NUTRITIONAL GUIDANCE TO THE PUBLIC

Mr. **Whitten**. Please provide an update of HNIS activities that ensure that all agencies in this appropriation bill speak with one voice in issuing nutrition guidance to the public.

Dr. **Harris**. USDA has formed the Dietary Guidance Working Group under its Subcommittee for Human Nutrition. USDA agencies involved in dietary guidance activities are represented on the Group—Human Nutrition Information Service, Extension Service, Food and Nutrition Service, Agricultural Research Service, Agricultural Marketing Service, Economic Research Service, Food Safety and Inspection Service, and the Office of Governmental and Public Affairs' Office of Information. The Committee is also to include a liaison member from the Department of Health and Human Services and other Departments as appropriate.

The purpose of the Committee is to help fulfill the Food and Nutrition Policy Statement, signed by Secretary Block, May 17, 1985, primarily by ensuring that dietary guidance from USDA conforms to the "Dietary Guidelines for Americans, is supported by research-based knowledge, and is objective in presentation; and ensuring that dietary guidance is consistent and supportive across agencies of USDA and across Departments of the Federal Government.

Mr. TRAXLER. Mr. Bode, thank you all very much for coming.

[The statements follow:]

UNITED STATES DEPARTMENT OF AGRICULTURE

HUMAN NUTRITION INFORMATION SERVICE
FOOD AND NUTRITION SERVICE

Statement of John W. Bode, Assistant Secretary for Food and Consumer Services
before the House Subcommittee on Agriculture, Rural Development,
and Related Agencies

Mr. Chairman and Members of the Committee:

I am John W. Bode, Assistant Secretary for Food and Consumer Services. I am pleased to be here today to present budget requests of the Human Nutrition Information Service (HNIS) and of the Food and Nutrition Service (FNS) for Fiscal Year 1987. Dr. Suzanne Harris will summarize the HNIS request and Mr. Robert Leard will summarize for FNS.

Before Dr. Harris and Mr. Leard begin, I want to speak to the U.S. Department of Agriculture's (USDA) commitment to a strong and coordinted system for monitoring the nutritional status of Americans and to the provision of information to help Americans to select diets that support health and well being. Both nutrition monitoring and nutrition education research have a long history in USDA. Important advances have come about through funding for Fiscal Years 1984, 1985 and 1986. A new type survey of diets in 1985 has already paid off in timely and useful information about dietary change since 1977. The decennial Nationwide Food Consumption Survey of 1987 is planned and ready to go with Fiscal Year 1986 funds.

We especially appreciate this Committee's interest in dietary guidelines for Americans that are sound and sensible and are presented as from "one voice" by the Federal Government. The Dietary Guidelines for Americans, Second Edition, recently released are such guidelines and they form the basis of dietary guidance in USDA and in the Department of Health and Human Services.

The Budget for the Food Assistance Programs is proposed at $18.3 billion including funds from Section 32. This is about $384 million less than the current estimate for 1986.

Specific proposals include:

- A Food Stamp budget of $11.7 billion which recognizes a continued decline in participation and is predicated in part on legislation proposals which will be submitted to the appropriate authorizing committee shortly.
- A Child Nutrition budget down nearly $400 million from 1986 which again calls for ending subsidies to non-needy.
- A WIC budget of $1.6 billion which will continue participation at about 3 million women, infants and nutritionally needy children.

Mr. Chairman, I would again like to ask your considering ending the direct federal administration of certain Child Nutrition Programs in those States that do not have laws prohibiting them from doing so. The Food and Nutrition Service has about 50 people that could be released for other high priority activities if this proposed provision were included in the final bill.

With your permission, Dr. Harris will now make her presentation.

UNITED STATES DEPARTMENT OF AGRICULTURE

HUMAN NUTRITION INFORMATION SERVICE

Statement of Suzanne Harris, Deputy Assistant Secretary for Food and Consumer Services
before the House Subcommittee on Agriculture, Rural Development,
and Related Agencies

Mr. Chairman and Members of the Committee:

I am Suzanne Harris, Deputy Assistant Secretary for Food and Consumer Services. I am pleased to be here today to discuss the budget request of the Human Nutrition Information Service (HNIS) for Fiscal Year 1987.

Mission of the Human Nutrition Information Service

The mission of the Agency is to conduct and interpret applied research in human nutrition to improve professional and public understanding of the nutritive value of food and the nutritional adequacy of diets and food supplies, and to provide information needed by the American public to make informed food choices. The importance of research in these areas is specifically emphasized by the Congress in the Food and Agriculture Act of 1977, the Agriculture and Food Act of 1981, and the Food Security Act of 1985.

HNIS has a total of about 90 scientists and support staff in two operating units: the Nutrition Monitoring Division and the Nutrition Education Division. Within the U.S. Department of Agriculture (USDA), HNIS has primary responsibility for the National Nutrition Monitoring System (NNMS). The NNMS includes those activities that are essential to provide regular information about the role and status of factors which bear on the contribution nutrition makes to the health and well being of the American people. HNIS is the national resource for information on the nutritive value of foods and for information on food consumption by households and individuals. The Agency also has primary responsibility within USDA for the development of research-based nutrition guidance such as the Dietary Guidelines for Americans and for research to determine how guidance can best be communicated. HNIS research activities support the Department's commitment and responsibilities to the National Nutrition Monitoring System and to nutrition education for the general public.

Major accomplishments in the past year underscore the Agency's commitment to its mission.

1. The Continuing Survey of Food Intakes by Individuals (CSFII) was initiated in April 1985. The first report, covering one-day's food and nutrient intakes by women 19 to 50 years of age and their children 1 to 5, was released to you and the public in December 1985--less than six months after the data were collected. This unprecedented short interval demonstrates the agency's improved capacity to provide dietary information in a timely manner. This which enhances the usefulness of the results to the Department, to you, and to others.

   This report compares the diets of the Continuing Survey's national sample of women in spring 1985 with diets of a similar group reporting in spring 1977 as part of the last Nationwide Food Consumption Survey (NFCS). This comparison indicates that major shifts in food intakes have occurred since 1977. Consumption of--

   - meat eaten separately was down, while mixtures containing meat, poultry, and fish were up. Meat intake was lower in 1985 by both low-

and high-income women, but the drop off by high-income women was greater.

- whole milk was down and lowfat and skim milk were up. Milk as a whole, was down for low-income women, but up for high-income women. The gain was primarily in lowfat and skim milk.

- vegetables and fruits were down slightly.

- grain products, especially grain mixtures such as pizza and pasta with sauce, were up.

- beverages--soft drinks, punches, ades, and alcoholic beverages--were up.

These and other food shifts translate into diets in 1985 with less fat and more carbohydrate and slightly more of vitamins and minerals than in 1977.

We are just beginning to look at the diets of the special sample of low-income women (household income of 130 percent of poverty or below) sorted by whether or not they receive food stamps. We will provide the Committee with the report in about 2 months, we expect.

Analysis of the CSFII data allow us to identify dietary problems and the factors which have a beneficial or detrimental effect on diet. Some factors to be studied in research being initiated are income, education, employment, size and location of the household, food assistance program participation and eating practices--eating out, skipping meals, and snacking, for example. This information is important in the development of the Agency's nutrition education materials and in the design of effective programs and policies related to agriculture, food assistance, and education.

2. The second edition of "Dietary Guidelines for Americans," based on recommendations of the Dietary Guidelines Advisory Committee was released jointly by the Secretaries of Agriculture and of Health and Human Services on September 24, 1985. HNIS coordinated the effort and is glad to report that the new edition has received broad-based support. The two Departments are providing some free copies; the private sector is reproducing and distributing others.

   Also, HNIS has initiated, under the auspices of USDA's Committee on Research and Education, an interagency Dietary Guidelines Working Group to help USDA and other Federal departments to speak with one-voice in dietary guidance matters.

3. The National Nutrient Data Bank has been expanded to cover more foods and nutrients. Since 1977-78, when USDA's last comprehensive decennial survey was conducted, the number of food components assessed has doubled--from 14 to 28. This expanded nutrient data base will be updated periodically and distributed for use by researchers, hospitals, and others. The data base is also being used by DHHS to evaluate data from the Hispanic Health and Nutrition Examination Survey (HHANES) and will be used in the forthcoming National Health and Nutrition Examination Surveys (NHANES-III).

4. Sections of Agricultural Handbook 8 on Vegetables and Vegetable Products and Nuts and Seed Products were published in 1985, as part of the 23-section revision of this primary national resource of technical information on food composition. Several other sections are nearing completion. The revised Home and Garden Bulletin No. 72, "Nutritive Value of Foods," targeted to a less technical audience, was released in November 1985.

5. A Congressionally mandated report "Evaluation of the Nutrition Assistance Program in Puerto Rico, Volume II: Effects on Food Expenditures and Diet Quality," was prepared for the Senate and House Agricultural Committees (June 1, 1985) by the Food and Nutrition Service. This report was based largely on results from the Puerto Rican Food Consumption Survey of 1984, designed and conducted for FNS by HNIS staff. FNS was provided with a report of quantitative information about diets in Puerto Rico in terms of food quantities, food costs, and nutrient levels within 45 days after the survey was completed. This is another example of the Agency's ability to process and report dietary data from surveys in a timely manner.

6. The Agency has provided staff support to the Joint Nutrition Monitoring Evaluation Committee in the development of a report on the nutrition of the nation, drawing primarily from NFCS and NHANES II data.

7. Plans for the comprehensive, decennial Nationwide Food Consumption Survey 1987 (NFCS-87) have been completed and the contract is to be let in late summer 1986. This survey, like the one in 1977-78, will provide detailed information about household food consumption and food costs, as well as food intakes at home and away by each household member. A national sample of all

households and a special sample of low-income households will be surveyed. In developing the plans for NFCS-87, HNIS worked closely with other Agencies in the Department and DHHS. We also took into account recommendations from the Food and Nutrition Board, National Academy of Science, made in its report "National Survey Data on Food Consumption: Uses and Recommendations" comments solicited from industry, academia, and public interest groups.

Fiscal Year 1987 Budget Request

The HNIS budget request for Fiscal Year 1987 is for $6,876,000, down almost one half from our Fiscal Year 1986 appropriation of $13,469,000. As a result of the Balanced Budget and Emergency Control Act of 1985, HNIS's operating Fiscal Year 1986 budget is $12,889,000. As a result of this decrease in 1986, the data collection for CSFII 1987, which was to have been covered by Fiscal Year 1986 funds, will not be undertaken.

The decrease between Fiscal Year 1986 and Fiscal Year 1987 is primarily due to the fact that Fiscal Year 1986 appropriations covered data collection for the comprehensive NFCS-87, which is not an annual ongoing activity. In the past, Nationwide Food Consumption Surveys have been conducted on a decennial basis. The remainder of the decrease reflects the Administration's decision not to undertake CSFII field work and data collection in 1988. This interruption in CSFII will allow us to evaluate methods and data collected in 1985 and 1986 from the CSFII and the comprehensive NFCS-87 to determine the most efficient combination of surveys for providing necessary and current information on food consumption and dietary status.

The funding requested for HNIS will support continued analysis of data already collected through the CSFII; initiation of analyses of data collected through NFCS-87; preparation for the evaluations mentioned above; and current program levels for the National Nutrient Data Bank activities, (including continuation of the study of the selenium content of foods started in FY-86). Also, the request includes funding for nutrition education research.

Ongoing HNIS Activities

Nutrition Monitoring. A Joint Implementation Plan for the National Nutrition Monitoring System (NNMS) was submitted to Congress in 1981. The initiation of the CSFII and NFCS-87 are part of that plan as is the expansion of the National Nutrient Data Bank. Data from the NNMS are used for agricultural, food assistance, and nutrition education program development. We are now working with DHHS to develop plans for NNMS activities through 1992.

Major monitoring activities in progress include:

- Determination through methodology studies of the best methods for collecting data and improving efficiency.
- Participation in regular conferences with DHHS to develop ways to improve the comparability between the Department's NFCS and CSFII and DHHS's NHANES.
- Planing of two regional workshops to help State public health nutritionists to use data from CSFII, NFCS, and NHANES.

- Evaluation of methods and research requirements for assessing the risk of nutritional deficiencies associated with diets that fall below the Recommended Dietary Allowances (RDA).

- Collection of data for CSFII 1986. This survey provides timely information between the decennial surveys on the dietary adequacy of population groups at high nutritional risk.

- Preparation of CSFII statistical reports. The Department expects to release soon reports from CSFII-85, in addition to the one described earlier. These reports will cover one-day's food and nutrient intakes by low-income women and children and by men. Also, there will be reports on the usual intakes by women and children as indicated by 6 days of intakes spread over 1985.

- Indepth analysis of CSFII data. Intramural analyses are underway and extramural analyses will be contracted for this summer.

- Completion of plans for NFCS-87 (design, data collection, data processing, analysis, reporting). The contract will be negotiated this summer for data collection from April 1987 to March 1988.

- Updating of the support systems for NFCS-87. Food coding system, internal data processing mechanisms, and nutrient data bases are well underway and will be in place before the survey is initiated in April 1987.

- Estimation of the nutrient content of the national food supply each year. Results are interpreted in a variety of publications.

National Nutrient Data Bank. An integral, essential component of the NNMS is the National Nutrient Data Bank. With data from the Data Bank, diets reported in the CSFII and NFCS-87 can be appraised for their nutrient content, and dietary guidance to help Americans upgrade the nutritional quality of diets can be developed. The data base for USDA's CSFII and NFCS-87 will also be used by DHHS's HHANES and NHANES III.

Information on the nutritive value of foods is a valuable national resource for researchers and educators concerned with food and nutrition, as well as for national and international food and nutrition planning. To date 12 revised sections of Agriculture Handbook No. 8 have been released. Release of 4 additional food groups--Beef, Beverages, Fish, and Legumes is planned for later in Fiscal Year 1986.

Nutrition Education. The Agency develops food and nutrition materials and techniques for increasing nutrition knowledge of professionals and consumers and improving food selection behavior. Of particular importance is research to solve practical nutrition problems faced by Government policy makers, educators, health professionals, and consumers.

Major nutrition education research activities underway include:

- Promotion of the "Dietary Guidelines for Americans," Second Edition. These guidelines form the basis of dietary guidance policy in USDA and DHHS, and HNIS attempts to monitor Federal publications for conformance to guideline concepts. A Spanish version of the Guidelines is being readied for publication.

- Interpretation of the Dietary Guidelines to help the public. To help the public put the Guidelines into practice, HNIS is developing 14 small bulletins--4 to 12 pages each. The first seven--one for each guideline of the seven guidelines--are ready to go to press. The other seven, to be published later in 1986, tell how to use the guidelines together while shopping for food, planning meals, preparing food at home, making quick meals, preparing bag lunches, selecting food away from home, and choosing snacks. Results from HNIS research to determine how target audiences respond to different publication designs and content are being used.

- Development of a microcomputer system for assessing the nutritional adequacy of diets. This system is primarily for use by Extension Agents. HNIS is developing the software and the data bases and will work with Extension in testing the system, evaluating the results, and revising the prototype system for use. HNIS will also be responsible for keeping the data bases up to date.

- Estimation of costs for food plans at four cost levels monthly. (The least costly of these food plans, the Thrifty Food Plan, is the legal basis for Food Stamp Program benefits.) Plans are being made to revise the food content and the costing procedures for the four food plans using data from NFCS-87.

- Analysis of data from the surveys to gain an understanding of dietary problems and, their causes. For example, researchers will study certain changes in eating patterns, such as increased proportions of away-from-home meals, and of snacking and their effects on diet quality.

- Studies to show the change from average food intake required to meet RDA. These studies will allow the RDA Committee of the Food and Nutrition Board of the National Research Council to evaluate levels they suggest for their expected effect on diets. This type research is unique to HNIS because of the information HNIS develops on food composition and food consumption and their experience with computerized mathematical models to modify diets to meet prescribed specifications.

In summary, HNIS is the national resource for information on the nutrient content of foods and monitors the nutrient content of the food supply and food and nutrient content of the diets of households and individuals. The Agency conducts research needed for the development of materials and techniques that will help Americans improve their diets. We view these activities as basic to the Department's mission to assure that a safe, nutritious, wholesome supply of food is available to all Americans and to provide information with which healthy Americans can select nutritious and healthful diets.

Mr. Chairman, I will be happy to answer any question you or other committees members may have.

HUMAN NUTRITION INFORMATION SERVICE

Purpose Statement

The Human Nutrition Information Service (HNIS) was established October 1, 1981, by the Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). Most of the functions of this Agency have been carried out by USDA for several decades. HNIS activities are in one major category: Research, Analysis and Technical Assistance which is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of the nutritional adequacy of diets and food supplies, as well as the nutritive value of food, and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

The Agency has primary responsibility for the Department's role in the National Nutrition Monitoring System and in formulating dietary guidelines for healthy Americans. It is the primary national resource for information on the nutritive value of foods.

The Agency is located at Hyattsville, Maryland, and Beltsville, Maryland. As of September 30, 1985, there were 72 permanent full-time and 17 part-time employees.

HUMAN NUTRITION INFORMATION SERVICE

Available Funds and Staff Years

1985 Actual and Estimated, 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses ...	$7,533,000	79	$13,469,000	95	$6,876,000	95
Total Human Nutrition Information Service	7,533,000	79	13,469,000	95	6,876,000	95

Full-Time Equivalent Staff Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling	79	95	95
Non-Ceiling	--	--	--
Total	79	95	95

HUMAN NUTRITION INFORMATION SERVICE
Permanent Positions by Grade and Staff Year Summary
1985 and Estimated 1986 and 1987

Grade	1985 Headquarters	1986 Headquarters	1987 Headquarters
ES-1	--	1	1
GS/GM-15	4	2	2
GS/GM-14	5	6	6
GS/GM-13	9	11	11
GS-12	6	8	8
GS-11	17	16	16
GS-9	12	13	13
GS-7	5	9	9
GS-6	5	6	6
GS-5	6	7	7
GS-4	3	4	4
Total Permanent Positions....................	72	83	83
Staff-Years:			
Ceiling......................	79	95	95
Non-Ceiling..................	--	--	--
Total......................	79	95	95

HUMAN NUTRITION INFORMATION SERVICE

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987

	1985	1986	1987
Personnel Compensation:			
Headquarters:			
11 Total personnel compensation.......	2,373,571	2,838,000	2,838,000
12 Personnel Benefits...	270,959	329,000	329,000
13 Benefits for former personnel..........	--	--	--
Total Pers. Comp. & Benefits............	2,644,530	3,167,000	3,167,000
Other Objects:			
21 Travel...............	40,129	42,000	50,000
22 Transportation of things............	2,556	4,000	4,000
23.2 Rental payments to others............	--	--	--
23.3 Communications, utilities, and misc. charges......	174,776	200,000	200,000
24 Printing and reproduction.......	31,993	100,000	100,000
25 Other services.......	3,633,867	9,351,000	3,115,000
26 Supplies and materials..........	56,409	150,000	150,000
31 Equipment...........	103,217	455,000	90,000
Total other objects...	4,042,947	10,302,000	3,709,000
Total direct obligations..	6,687,477	13,469,000	6,876,000
Position Data:			
Average Salary, ES positions..............	--	$61,296	$63,748
Average Salary, GS positions..............	$27,957	$28,418	$28,389
Average Grade, GS positions..............	10.0	9.7	9.7

HUMAN NUTRITION INFORMATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses to enable the Human Nutrition Information Service to perform applied research and demonstrations relating to human nutrition and consumer use and economics of food utilization [$13,416,000] $6,876,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

SALARIES AND EXPENSES

Appropriation Act, 1986		$13,562,000
Budget Estimate, 1987		6,876,000
Decrease in Appropriation		-6,686,000
Adjustments in 1986		
Appropriation Act, 1986	$13,562,000	
Less Pro-Rata Reduction, P.L. 99-190	-81,000	
Net Appropriations	13,481,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-12,000	
Adjusted base for 1986		13,469,000
Budget Estimate, 1987		6,876,000
Decrease over adjusted 1986		-6,593,000

a/ A transfer of $3,000 to Departmental Administration (DA) and $9,000 to Office of Governmental and Public Affairs (OGPA) is to fund activities which will be financed through a direct appropriation in DA and OGPA in Fiscal Year 1987.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Human Nutrition Information Service	$13,469,000	-$6.593.000	$6,876,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual		1986 Estimated			1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
1. Research, Analysis and Technical Assistance	6,687,477	79	13,469,000	95	-6,593,000 (1)	6,876,000	95
Unobligated balance	845,523	--	--	--	--	--	--
Total available or estimate	7,533,000	79	13,469,000	95	-6,593,000	6,876,000	95
Transfer to:							
Departmental Administration and Office of Governmental and Public Affairs	--	--	+12,000				
Total, appropriation	7,533,000	79	13,481,000				

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Human Nutrition Information Service funds the activities authorized by sections 1411, 1421, 1425, and 1428 of Public Law 95-113 as amended by P.L. 97-98, 7 U.S.C. 3126 and 3171. The activities carried out are as follows:

-- Research, Analysis, and Technical Assistance - This activity is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of the nutritional adequacy of diets and food supplies as well as the nutritive value of foods and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of $6,593,000 consisting of:

(a) A decrease of $24,000 for productivity improvements in Fiscal Year 1987.

(b) A program decrease of $6,569,000 consisting of:

1. A decrease of $2,100,000 for the Continuing Survey of Food Intakes by Individuals (CSFII).

Need for Change. In 1985, the Department of Agriculture initiated the CSFII as a part of the National Nutrition Monitoring System (NNMS). Included in the CSFII in 1985 and 1986 were the Core Monitoring Group--women, 19-50 years of age and their children, 1-5 years of age at all income levels--and a sample of low-income women and children of the same ages. The data from the CSFII will be evaluated with those of the more comprehensive decennial Nationwide Food Consumption Survey (NFCS) Individual Intake phase.

Nature of Change. Field work and data collection in 1988 for an expanded CSFII will not be undertaken as data from previous years will be evaluated with those of the NFCS.

2. A decrease of $4,469,000 as a result of the completion of data collection of NFCS-87.

Need for Change. Field work and data collection for the comprehensive decennial NFCS secured under contract during Fiscal Year 1986 will be completed.

Nature of Change. Data collection for NFCS-87 will be completed under a contract initiated in Fiscal Year 1986. Analyses of the CSFII will be continued and that of NFCS-87 will be initiated.

HUMAN NUTRITION INFORMATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1985 and Estimate 1986 and 1987

	1985		1986		1987	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Maryland	6,687,477	79	13,469,000	95	6,876,000	95
Total, Available or Estimate	6,687,477	79	13,469,000	95	6,876,000	95

HUMAN NUTRITION INFORMATION SERVICE

STATUS OF PROGRAM

The Human Nutrition Information Service (HNIS) conducts and interprets applied research in food and nutrition to: (1) improve professional and public understanding of the nutritive value of foods and of the nutritional adequacy of diets and food supplies; and (2) develop other knowledge needed to improve the nutritional quality of diets, thereby improving the health of the American public.

Current Activities carried out by HNIS include:

1. Food Consumption Research. This activity involves the planning, coordination, and oversight of the conduct of the Nationwide Food Consumption Survey (NFCS), as well as related supplemental surveys and methodological research. These monitoring efforts are a major part of the Department's commitment to the National Nutrition Monitoring System (NNMS).

2. Nutrient Data Research. This activity consists of developing standard reference tables on the nutrient composition of foods, including revision of Agriculture Handbook No. 8, "Composition of Foods...Raw, Processed, Prepared" (AH-8), and maintenance of the National Nutrient Data Bank.

3. Diet Appraisal Research. This activity provides for conducting and interpreting food and nutrition research and analyzing NFCS data to develop knowledge needed to improve the nutritional quality of diets and identify means to strengthen nutritionally desirable food choices within different budget limitations.

4. Guidance and Education Research. This activity includes development of nutrition education guidance, concepts, and techniques, taking into account the most recent food and nutrition research; and development of suitable and safe preparation and management procedures to retain nutritional and eating qualities of food.

Selected Examples of Recent Progress: HNIS staff published and/or submitted for publication 78 reports and articles and prepared over 75 papers for presentation at professional meetings and conferences in Fiscal Year 1985.

1. Food Consumption Research. The landmark Continuing Survey of Food Intakes by Individuals (CSFII) was initiated in April 1985. The CSFII is a major building block in the development of the comprehensive National Nutrition Monitoring System (NNMS). This new study marks the culmination of 5 years of methodologic development, testing, and updating of the food information support files. In Fiscal Year 1985, the CSFII included samples of women at all incomes (core monitoring group and low-income women and their young children) and a sample of men. In Fiscal Year 1986, women at all incomes and low-income women and their young children will be studied. Significant innovations of the CSFII include the longitudinal measurement of 6 days of food intake information over a 1-year period and the large number of nutrients under study--28 as compared to 14 in the 1977-78 Natonwide Food Consumption Survey. The first report from the CSFII will be released in Fiscal Year 1986. A Congressionally mandated report, "Evaluation of the Nutrition Assistance Program in Puerto Rico, Volume II: Effects on Food Expenditures and Diet Quality," was prepared for the Senate and House Agriculture Committees (June 1, 1985) by the Food and Nutrition Service. This report was based largely on results from HNIS' Puerto Rican Food Consumption Survey 1984, on which a complete statistical report was prepared by the Agency within 45 days after the survey was completed.

2. Nutrient Data Research. The nutrient data base for the CSFII was completed and includes over 4,700 food products. The nutrients covered were expanded from 14 in the 1977-78 Nationwide Food Consumption Survey to 28. This expansion was facilitated by a computerized recipe-linking system that HNIS developed. The nutrient data base will be utilized not only by the CSFII and NFCS-87, but also by the Hispanic Health and Nutrition Examination Survey (HHANES) and the National Health and Nutrition Examination Survey (NHANES-III). Revised Agriculture Handbook No. 8 sections on Vegetables and Vegetable Products (AH-8-11) and on Nut and Seed Products (AH-8-12) were published. The revision of Home and Garden Bulletin No. 72, "Nutritive Value of Foods," was completed and is scheduled to be published in Fiscal Year 1986.

3. Diet Appraisal Research. HNIS provided the secretariat and staff support--funding was provided through the Advisory Committee--for the Joint Nutrition Monitoring Evaluation Committee. The first report to Congress by this Federal Advisory Committee on the nutritional status of the American population, which uses information from HNIS and the Department of Health and Human Services (DHHS) studies, has been submitted to the USDA and DHHS for review. This report is expected to be sent to Congress in Fiscal Year 1986. Appraisal of the nutritional quality of diets as reported by CSFII and NFCS has been hampered by a lack of appropriate standards. Work on this problem by a committee established by the Food and Nutrition Board of the National Academy of Sciences under an HNIS grant has been completed. The report is scheduled to be issued in Fiscal Year 1986.

4. Guidance and Education Research. The preparation of "Dietary Guidelines for Americans," second edition, was coordinated by HNIS and released jointly by the Secretaries of Agriculture and Health and Human Services. These Guidelines incorporate the suggestions of a USDA-sponsored Federal Advisory Committee for which HNIS provided the secretariat and support--funding was provided through the Advisory Committee. The USDA and DHHS Guidelines are being promoted by both Departments. HNIS has developed 14 bulletins to promote the Guidelines. The first seven bulletins--one for each guideline--providing needed interpretive materials to help the public understand the concepts presented and how to put them into practice--will be published in Fiscal Year 1986. The latter seven are scheduled to be published later in Fiscal Year 1986.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service

Statement by Robert E. Leard, Administrator
Before the House Subcommittee on Appropriations for Agriculture, Rural Development, and Related Agencies

Mr. Chairman, Members of the Committee:

I want to thank you for again providing the opportunity for us to present the Budget for the programs administered by the Food and Nutrition Service.

These programs include the Food Stamp Program, the Child Nutrition Programs, Special Milk Program, the Special Supplemental Food Program for Women, Infants and Children, the Commodity Supplemental Food Program, Cash and Commodities for Selected Groups and Food Program Administration. This Agency also administers the Temporary Emergency Food Assistance Program.

With me today are several of the senior managers of the Food and Nutrition Service who have helped me testify before, including Sonia Crow--Associate Administrator, Virgil Conrad--Deputy Administrator for the Family Nutrition Programs, George Braley--Deputy Administrator for the Special Nutrition Programs, and William Boling, the Agency's Budget Officer. With me today as well is Mr. Joseph Leo, Deputy Administrator for Management; I will submit Mr. Leo's biographical sketch for the record.

Mr. Chairman, I am pleased to present this Agency's budget which recognizes the important role that these programs play in sustaining the health and well being of the nation's population. The fact that many of the Agency's programs have been specifically exempted from recent deficit reduction measures underscores the importance Congress attaches to these programs.

For Fiscal Year 1987, the Food and Nutrition Service is requesting about $17.7 billion. The changes proposed in this budget reflect the spirit of Gramm-Rudman to improve and tighten administration, to eliminate benefits to non-poor households and to repeal yet-to-be implemented changes aimed at program expansion. This is substantially below the 1986 program levels appropriated by the continuing resolution.

CHILD NUTRITION PROGRAMS

For Fiscal Year 1987, we are requesting an appropriation of $3,458.3 million, a reduction of $415 million below the amount appropriated for Fiscal Year 1986.

Overall, the costs of the Child Nutrition Programs remain relatively stable. The reductions are due primarily to the following legislative proposals:

- Eliminate cash and commodity subsidies for meals served to non-needy children.
- Reestablish a means test for family day care homes to assure that these funds are used for needy children.

-- Make the rates paid for meals served in the summer program comparable to those rates paid in the school and child care programs and discontinue per meal administrative payments.

-- Eliminate unneeded special audit funding in the child care program. The Single Audit Act of 1984 requires organization-wide audits for organizations receiving Federal funds, making obsolete special funds such as this one, originally set up for States to conduct program specific audits.

-- In Fiscal Year 1987 only, offset the State Administrative Expense (SAE) funding by the amount of funding identified as unexpended by the recently completed SAE report. We wish to clarify that we are not seeking a permanent change in authorizing legislation to implement the recoupment of carryover funds.

-- Continue the current level of support for payments to schools receiving additional payments for lunches and breakfasts without allowing increases in their funding level.

-- Eliminate the authorization for the Nutrition Education and Training Program.

We are not requesting new budget authority for the Special Milk Program in Fiscal Year 1987. Legislation, to take effect July 1, 1986, is proposed to limit reimbursement to milk served only to children from households with incomes below 130 percent of poverty. Sufficient funds will be available from the Fiscal Year 1986 appropriation to provide the estimated $1.4 million needed to fund free milk served to needy children.

A total of $1,617 million is requested for the Special Supplemental Food Program for Women, Infants and Children (WIC). This is an increase of $57 million above the funds available from the Fiscal Year 1986 appropriation. It is expected that this increase will fund the costs of inflation and maintain participation of about 3 million individuals.

For the Commodity Supplemental Food Program we are requesting $38.6 million--an increase of $1.8 million. Participation in this program will be about 140,000 women, infants and children. We will continue to serve those elderly who have participated in the pilot projects in Fiscal Year 1986. We are also proposing to eliminate administrative funds which are paid based on the value of donated commodities which are not part of the prescribed food package.

FOOD STAMP PROGRAM

For the Food Stamp Program, the budget projects a continuing decline in participation due to general economic improvement. We are requesting an appropriation of $11.5 billion, a reduction of about $350 million from last year's request. We are proposing the following legislative provisions:

We are proposing to repeal the following, not yet implemented provisions of the Farm Security Act of 1985 (P.L. 99-198).

-- Increase in the assest limit from $1,500 to $2,000 and the extension of the $3,000 asset limit to one-person elderly households.

-- Increase in the earned income deduction from 18 to 20 percent.

-- Increases in the dependent care and excess shelter deduction and the separation of the limit on the total of these two deduction.

In addition, we are proposing to speed up the timetable for the full implementation of the new work requirements by the States as required by the new Act. The proposed language will also strengthen the required level of State compliance for work eligible food stamp applicants and recipients.

We have developed a number of proposals in concert with the Department of Health and Human Services. As a step towards greater uniformity, we are proposing to:

-- Reduce the Federal matching rate to 25 percent for State expenses greater than 175 percent of the national median cost per participant. The cost level will be published in advance to allow States to lower their administrative costs if necessary.

-- Reduce the matching rates for anti-fraud expenses and computer design and implementation costs. Beginning April 1, 1987, the match rate would be reduced from 75 to 70 percent and would continue to decrease 5 percent every six months until April 1, 1989, when the rate would be 50 percent.

It is our objective eventually to bring matching criteria for Federal administrative expenses in line with each other whether the programs be Aid to Families with Dependent Children, Medicaid or Food Stamps.

In addition, we are also seeking to reduce program costs by:

-- Prohibiting households from including energy assistance payments in the calculation of excess shelter deductions.

-- Counting stipends under the Job Training Partnership Act as income.

The appropriation for Food Donations has been retitled "Cash and Commodities for Selected Groups". This appropriation would fund the Needy Family Program (cash and commodities for Indian tribes), Palau Island and the Nutrition Program for the Elderly.

For the Needy Family Program, we are proposing to fund the current program plus a modest level of growth in Fiscal Year 1986. For the Nutrition Program for the Elderly $132 million is requested--the level of the current program authorization.

While the Farm Security Act of 1985 extended the authorization for the Temporary Emergency Food Assistance Program, we are not requesting administrative funds for this program. However, we intend to continue to donate commodities at about the same level as last year. We believe the States can bear the cost of intrastate distribution.

Last, Mr. Chairman, I would like to discuss our request for Food Program Administration. The resources requested are necessary to carry out the mandates of Federal law which require the Federal government to monitor and assist States in the conduct of these programs. While our major programs are exempt from the reductions imposed by the Deficit Reduction Act--our administrative funds have been subjected to the reductions required of all USDA agencies for that Act. The net result is that while the basic programs remain in place our resources to administer them continue to shrink. Since 1981:

-- Our staff has been reduced by about 600 staff years to the 2,060 in the budget proposal.

-- Our travel has been cut nearly inhalf to the $3.3 million requested.

-- We have reduced other administrative costs by almost $2 million in the face of cost increases driven by inflation.

We have squeezed over one million dollars from administrative funds in the past few years and invested it in micro-computers to enhance our productivity. The $4.2 million requested in this budget is the first time we have requested funds for automation. We are planning to invest another one million dollars from further reducing staff for a total of $5.2 million for the implementation of our Information Resources Management (IRM) plan.

Staff reductions and continued heavy workloads make it imperative that the Agency avail itself of all cost-effective enhancements to productivity. Development of abilities to use automated data processing and administrative office automation technologies are necessary to absorb changes in workload requirements. The replacement of outdated hardware and software will significantly improve Agency response for information processing and provide uniform hardware/software products through the Agency. Through automated data processing investments, the Agency plans to increase employee productivity and improve Agency support functions.

Thank you Mr. Chairman for this opportunity. I will be happy to answer your questions.

FOOD AND NUTRITION SERVICE

Purpose Statement

The Food and Nutrition Service was established August 8, 1969, by Secretary's Memorandum No. 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.

The Food and Nutrition Service administers food assistance programs which provide access to a more nutritious diet for persons with low incomes and encourage better eating patterns among the nation's children. The programs are:

Food Stamp Program. Food stamps are issued to eligible low-income households to enable them to obtain a better diet by increasing their food purchasing power. The Food and Nutrition Service administers the program in cooperation with State welfare agencies, and provides for the full cost of the food stamps themselves in addition to sharing all direct and indirect administrative costs incurred by the States on a 50-50 basis. If, however, States reduce their error rates below the five percent level they are eligible to receive enhanced administrative funding of 60 percent. In addition, States receive 75 percent of their costs incurred for developing food stamp computer systems and 75 percent of their costs for fraud investigations and prosecutions. Funds for this program are provided by direct appropriation.

Child Nutrition Programs. The Child Nutrition Programs--the National School Lunch, School Breakfast, Summer Food Service and Child Care Food Programs--provide funding for the service of nutritious meals to needy and other children attending schools, child care institutions, and summer recreational programs as a means of safeguarding the health and proper physical development of the nation's children. The Food and Nutrition Service works through State agencies, providing them with cash and commodities for use in preparing and serving meals, and administers the various child nutrition programs directly in cases where the State has chosen not to administer the programs. Funds for these programs are provided by direct appropriation and transfer from Section 32.

Special Milk Program. The Special Milk Program provides funding for milk service in schools, nonprofit child care centers and camps which have no other federally assisted food programs. This milk is provided to children either free or at a low cost. The Food and Nutrition Service provides cash subsidies to State administered programs and directly administers the program in the States which have chosen not to administer the program. Funds for this program are provided by direct appropriation.

Special Supplemental Food Program (WIC). In the WIC Program, pregnant, postpartum and breastfeeding women and infants and children up to five years of age who are found to be at "nutritional risk" receive supplemental foods from their local health clinics. State departments of health receive cash grants from the Food and Nutrition Service for this activity. Twenty percent of the total program funding is provided to the States for State and local administrative costs. Funds for this program are provided by direct appropriation.

Commodity Supplemental Food Program (CSFP). The CSF Program provides supplemental food to a target population similar to that of the WIC Program. The foods, however, are purchased directly by the Department of Agriculture and distributed to eligible women, infants and children up to six years of age through State and local agencies. The Food and Nutrition Service provides cash assistance to distributing agencies to offset their operating expenses at a rate of 15 percent of appropriated funding plus 15 percent of the value of commodities donated as part of the food package.

The USDA operates Elderly Feeding Pilot Projects (EFPP) in three locations. Using CSFP local agency sites and various commodities provided through CSFP, these pilot projects focus on volunteer delivery of food packages to homebound elderly persons. Funds for these programs are provided by direct appropriation.

Cash and Commodities for Selected Groups

Needy Family Program. The Needy Family Program provides USDA donated foods to help meet the nutritional needs of low-income households on Indian reservations, Indian households near these reservations and the Trust Territory of the Pacific Islands. The program also helps to expand markets for food produced by American farmers. Monthly packages of USDA donated commodities are distributed to beneficiary households from local warehouse facilities. Participating agencies can order food items according to households' preferences. Participants receive information about nutrition, proper food storage, sanitary food preparation methods and suggestions for using donated foods from nutritionists, County Extension Home Economists and other sources. Funds for this program are provided by direct appropriation.

Nutrition Program for the Elderly. The Nutrition Program for the Elderly provides nutritious meals for elderly people. State Agencies on Aging designate Area Agencies on Aging to plan and coordinate the nutrition program through local outlets. The State Agencies on Aging request USDA-donated foods, cash in lieu of food, or a combination of both to provide meals to the elderly at various sites. The amount of food or cash that USDA gives each State is based on the number of meals served in the program and the level of available funds. Funds for this program are provided by direct appropriation.

Nutrition Assistance for Puerto Rico. As a result of the Omnibus Budget Reconciliation Act of 1981, the Food and Nutrition Service now provides the Commonwealth of Puerto Rico with a nutrition assistance block grant which gives the Commonwealth broader flexibility to establish a food assistance program specifically tailored to the needs of their low-income households. Since July 1, 1982, the Commonwealth has been providing food assistance to low-income households in the form of cash grants, rather than coupons. The Omnibus Budget Reconciliation Act of 1982 prohibited the use of cash for nutrition assistance in the Commonwealth after Fiscal Year 1983. P.L. 98-204, approved December 2, 1983, postponed the effective date of the non-cash provision until October 1, 1985. The non-cash provision was then deleted by the Food Security Act of 1985 (P.L. 99-198).

Temporary Emergency Food Assistance Program (TEFAP). The Temporary Emergency Food Assistance Program provides funding for the intrastate storage and distribution of USDA donated commodities. The funds are made available to State and local distributing organizations through grants administered by the Food and Nutrition Service.

Under this program, assistance may be provided to cover the costs incurred by charitable institutions, food banks, hunger centers, soup kitchens, and similar non-profit eligible recipient agencies providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons.

The allocation of funds to the States is based upon a formula which considers the States' unemployment level and the number of persons with incomes below the poverty level.

Food Program Administration. This account provides for the salaries and operating expenses of the Food and Nutrition Service. The Headquarters of the Service is at the Park Office Center, Alexandria, Virginia. The Food and Nutrition Service maintains seven regional offices located at: Burlington, Massachusetts; Robbinsville, New Jersey; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Denver, Colorado; and San Francisco, California. On September 30, 1985, there were 2,047 full-time permanent and 134 part-time and temporary employees in the agency. Of these, 991 employees were located in the seven regional offices and 641 in the Alexandria headquarters. In addition, 549 employees were stationed in 122 field locations including 41 food stamp compliance offices, one computer support center, six administrative review offices and 74 field offices.

FOOD AND NUTRITION SERVICE

Available Funds and Staff-Years

1985 Actual and Estimated, 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Child Nutrition Programs:						
Appropriation	$1,474,861,000		$668,217,655		$1,005,694,000	
Transfer from Section 32	2,329,819,000		3,271,592,000		3,227,923,000	
Total Child Nutrition Programs	[a] 3,804,680,000	15	3,939,809,655	20	4,233,617,000	
Special Milk Program	[b] 17,600,000		[c] 11,500,000		[d] 14,869,000	
Special Supplemental Food Program (WIC)	[e] 1,500,000,000		[f] 1,560,580,000		[g] 1,617,000,000	
Commodity Supplemental Food Program	[h] 24,918,000		[i] 36,777,000		38,605,400	
Food Stamp Program	[j] 11,768,856,000		11,820,221,000		11,831,915,000	
Nutrition Assistance for Puerto Rico	825,000,000		820,050,000		825,000,000	
Cash and Commodities for Selected Groups:						
Needy Family Program	[k] 23,546,000		56,432,000		53,300,000	
Nutrition Program for the Elderly	[l] 116,000,000		[m] 136,973,000		132,000,000	
Total Cash and Commodities for Selected Groups	139,546,000		193,405,000		187,300,000	
Temporary Food Assistance Program	57,000,000		[n] 49,700,000		--	
Food Program Administration:						
Salaries and Expenses	[o] [p] 84,105,000	2,186	[p] 81,925,000	2,107	86,100,000	2,091
Total, Food and Nutrition Service Funds	18,221,705,000	2,201	18,513,967,655	2,127	18,832,406,400	2,091
Obligations under other USDA appropriations:						
Human Nutrition and Information Service for Administrative Support	150,000	5	180,000	5	180,000	5
Office of Operations for USDA Program Support	20,115		--		--	
Miscellaneous reimbursements	--		3,700		--	
Total, Other USDA Appropriations	170,115	5	183,700	5	180,000	5

Item	1985 Actual Amount	1985 Actual Staff-Years	1986 Estimated Amount	1986 Estimated Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years
Other Federal Funds:						
Army Audit Agency for Health Services....	9,096	1	9,232	1	9,232	1
Walter Reed Army Medical Center for Social Science Services	27,363		--		--	
Total, Other Federal Funds..................	36,459	1	9,232	1	9,232	1
Total, Food and Nutrition Service......	18,221,911,574	2,207	18,514,160,587	2,133	18,832,595,632	2,097

Full-Time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling	2,170	2,091	2,060
Non-Ceiling	37	42	37
Total	2,207	2,133	2,097

[a] Excludes $4,738,852 in unobligated balances and $289,951 in recoveries of prior year obligations.

[b] Excludes $4,383,471 in unobligated balances.

[c] Excludes $6,475,016 in unobligated balances.

[d] Excludes $1,384,000 in unobligated balances.

[e] Excludes $1,173,667 in unobligated balances; $4,430,454 in recoveries of prior year obligations; and $22,591,400 in unspent Fiscal Year 1984 funds.

[f] Excludes $372,327 in unobligated balances and $30,000,000 in unspent Fiscal Year 1985 funds.

[g] Excludes $220,000 in unobligated balances.

[h] Excludes $10,121,868 in unobligated balances and $194,124 in recoveries of prior year obligations.

[i] Excludes $141,033 in unobligated balances.

[j] Excludes $70,302 in unobligated balances.

[k] Excludes $16,756,391 in unobligated balances.

[l] Excludes $4,800,000 in unobligated balances.

[m] Includes $5,183,000 proposed for rescission.

[n] Excludes $237,159 in unobligated balances available through March 1, 1986.

[o] Excludes $143,768 in unobligated balances.

[p] Excludes $82,000 for transfer to Departmental Administration and Office of Governmental and Public Affairs.

FOOD AND NUTRITION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-4	1	5	6	1	5	6	1	5	6
ES-3	2	0	2	2	0	2	2	0	2
ES-2	2	1	3	2	1	3	2	1	3
ES-1	1	0	1	1	0	1	1	0	1
GS/GM-15	19	7	26	19	7	26	19	7	26
GS/GM-14	56	44	100	56	44	100	56	44	100
GS/GM-13	110	83	193	107	79	186	107	79	186
GS-12	130	197	327	125	189	314	124	189	313
GS-11	126	442	568	120	423	543	120	423	543
GS-9	29	337	366	24	318	342	24	316	340
GS-8	10	7	17	10	7	17	10	7	17
GS-7	50	59	109	48	59	107	48	59	107
GS-6	35	55	90	30	55	85	30	55	85
GS-5	47	184	231	42	175	217	41	174	215
GS-4	25	73	98	27	69	96	27	69	96
GS-3	10	16	26	13	12	25	13	12	25
GS-2	5	2	7	1	2	3	2	2	4
Ungraded Positions	9	0	9	9	0	9	9	0	9
Total Permanent Positions	667	1,512	2,179	637	1,445	2,082	636	1,442	2,078
Staff-Years:									
Ceiling	642	1,528	2,170	618	1,473	2,091	608	1,452	2,060
Non-Ceiling	7	30	37	11	31	42	6	31	37
Total	649	1,558	2,207	629	1,504	2,133	614	1,483	2,097

FOOD AND NUTRITION SERVICE

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987
(dollars in thousands)

		1985	1986	1987
Personnel Compensation:				
	Headquarters	$20,907	$20,486	$20,244
	Field	42,420	41,216	40,278
11	Total Personnel compensation	63,327	61,702	60,522
12	Personnel Benefits	7,644	7,236	7,149
13	Benefits for former personnel	103	97	97
	Total Personnel Compensation and Benefits	71,074	69,035	67,768
Other Objects:				
21	Travel	3,288	3,408	3,255
22	Transportation of things	2,991	4,990	5,190
23.2	Rental payments to others	258	261	261
23.3	Communications, utilities and miscellaneous charges	4,344	4,377	4,293
24	Printing and reproduction	20,592	30,846	32,090
25	Other services	28,994	32,322	35,178
26	Supplies and materials	875	695	738
	Grants of commodities to States	201,980	209,662	228,260
31	Equipment	1,001	319	3,444
41	Grants, subsidies & contributions	17,889,799	18,032,494	16,673,068
42	Insurance claims and indemnities	10	0	0
43	Interest and dividends	3	0	0
	Total other objects	18,154,135	18,319,374	18,985,777
	Total direct obligations	18,225,209	18,388,409	19,053,545

Position Data:

	1985	1986	1987
Average Salary, ES positions....................	$ 66,438	$ 66,438	$ 66,438
Average Salary, GS positions....................	$ 28,964	$ 29,225	$ 29,314
Average Grade, GS positions....................	9.7	9.7	9.7

FOOD AND NUTRITION SERVICE

Food Assistance Table
(Dollars in Thousands)
Current Law

PROGRAM LEVEL	1985 Actual	1986 Estimate	1987 Estimate	Change 1986-1987
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School lunch program	532,085	430,440	557,092	126,652
b. Special assistance for free and reduced price lunches	2,127,624	2,210,260	2,355,993	145,733
c. School breakfast program	406,995	409,898	436,423	26,525
d. State administrative expenses	46,880	48,904	51,217	2,313
e. Summer food service program	115,100	121,925	132,748	10,823
f. Child care food program	434,854	483,542	541,733	58,191
TOTAL, Program grants to States	3,663,538	3,704,969	4,075,206	370,237
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	138,700	160,858	150,941	-9,917
b. AMS Section 32 commodities	336,502	350,900	350,900	0
c. CCC bonus commodities	343,542	343,542	343,542	0
d. AMS bonus commodities	30,598	30,598	30,598	0
TOTAL, Commodities to States	849,342	885,898	875,981	-9,917
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,470	2,364	2,470	106
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
TOTAL, Nutrition studies and education	7,470	7,364	7,470	106
TOTAL, Child Nutrition Programs	4,520,350	4,598,231	4,958,657	360,426
AMS Section 32 commodities	336,502	350,900	350,900	0
CCC bonus commodities	343,542	343,542	343,542	0
AMS bonus commodities	30,598	30,598	30,598	0
FNS Child nutrition account	3,809,708	3,873,191[a]	4,233,617	360,426
B. Special Milk Program:				
1. Cash Payments to States	15,508	16,591	16,253	-338
C. Special Supplemental Food Programs (WIC):				
1. Cash Grants to States	1,525,135	1,587,970	1,615,000	27,030
2. Studies and Evaluations	1,688	2,390	2,000	-390
TOTAL, Special Supplemental Food Programs (WIC)	1,526,823[b]	1,590,360[c]	1,617,000	26,640
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food	26,250	26,707	28,290	1,583
2. Payments to distributing agencies for administration	5,968	6,227	6,532	305
3. Pilot projects for elderly	2,875	3,984	3,783	-201
4. CCC donations	15,680	10,310	10,310	0
TOTAL, Commodity Supplemental Food Program (CSFP)	50,773	47,228	48,915	1,687

PROGRAM LEVEL CURRENT LAW	1985 Actual	1986 Estimate	1987 Estimate	Change 1986-1987
E. Food Stamp Program:				
1. Benefit costs	10,775,835	10,738,185[d]	10,912,190	174,005
2. State administrative costs	912,304	967,480	1,027,217	59,737
3. Other program costs	44,035	58,517	61,647	3,130
4. Excess state error liabilities	0	0	-169,139	-169,139
5. Transfer to Office of Inspector General/OGC	17,329	55,337	0	-55,337
6. Unobligated balance lapsing	0	702	0	-702
TOTAL, Food Stamp Program	11,749,503	11,820,221[d]	11,831,915	11,694
F. Nutrition Assistance for Puerto Rico	825,000	820,050	825,000	4,950
G. Cash and Commodities for Selected Groups:				
1. Needy Family Program:				
a. Commodities in lieu of food stamps	24,965	40,075	39,505	-570
b. Distributing agency administrative costs	14,619	15,300	15,795	495
2. Nutrition Program for the Elderly	120,800	136,973[e]	132,000	-4,973
TOTAL, Food Donation Programs	160,384	192,348	187,300	-5,048
H. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Needy Family Program	11,919	11,919	11,919	0
(b) Nutrition Program for the Elderly	5,682	5,682	5,682	0
(c) Charitable Institutions	94,836	94,836	94,836	0
(d) Summer camps	3,036	3,036	3,036	0
Section 32 bonus				
(a) Needy Family Program	587	587	587	0
(b) Nutrition Program for the Elderly	82	82	82	0
(c) Charitable Institutions	25,355	25,355	25,355	0
(d) Summer camps	378	378	378	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities	957,924	957,924	957,924	0
2. Grants:				
TEFAP Administrative Expense	57,000	47,900	0	-47,900
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets	1,156,799	1,147,699	1,099,799	-47,900
I. Food Program Administration:				
1. Child nutrition	27,313	26,583	27,909	1,326
2. Special milk	157	152	152	0
3. Special supplemental food	6,913	6,728	7,064	336
4. Food stamp	48,308	47,013	49,354	2,341
5. Food donations	1,771	1,724	1,810	86
TOTAL, Food Program Administration	84,462	82,200	86,289	4,089
GRAND TOTAL, Food Assistance	20,089,602	20,314,928	20,671,128	356,200
Section 32 commodities	336,502	350,900	350,900	0
CCC bonus commodities	474,695	469,325	469,325	0
TEFAP Commodities and Administrative Expense	1,014,924	1,005,824	957,924	-47,900
AMS bonus commodities	57,000	57,000	57,000	0
FNS	18,206,481	18,431,879	18,835,979	404,100

[a] Fiscal Year 1986 amounts represent the President's budget and reflect the effects of proposed legislation.

[b] Includes $22,951,400 from Fiscal Year 1984 funds available to States.

[c] Includes $30,000,000 from Fiscal Year 1985 funds available to States.

[d] The Appendix to the Budget for Fiscal Year 1987 shows an unobligated balance of $69,702,000 which reflects consultant services savings of $702,000 mandated by Section 515 of the conference version of the Treasury, Postal Service, and General Government Appropriations Act for 1986.

[e] A request has been submitted to Congress to rescind $5,183,000.

FOOD AND NUTRITION SERVICE

Food Assistance Table
(Dollars in Thousands)
Current Law

BUDGET AUTHORITY	1985 Actual	1986 Estimate	1987 Estimate	Change 1986-1987
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School lunch program	532,085	430,440	557,092	126,652
b. Special assistance for free and reduced price lunches	2,123,946	2,210,260	2,355,993	145,733
c. School breakfast program	406,995	409,898	436,423	26,525
d. State administrative expenses	45,530	48,904	51,217	2,313
e. Summer food service program	115,100	121,925	132,748	10,823
f. Child care food program	434,854	483,542	541,733	58,191
TOTAL, Program grants to States	3,658,510	3,704,969	4,075,206	370,237
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	138,700	160,858	150,941	-9,917
b. AMS Section 32 commodities	336,502	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	475,202	511,758	501,841	-9,917
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,470	2,364	2,470	106
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
TOTAL, Nutrition studies and education	7,470	7,364	7,470	106
TOTAL, Child Nutrition Programs	4,141,182	4,224,091	4,584,517	360,426
AMS Section 32 commodities	336,502	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
FNS Child nutrition account	3,804,680	3,873,191[a]	4,233,617	360,426
B. Special Milk Program:				
1. Cash Payments to States	17,600	11,500	14,869	3,369
C. Special Supplemental Food Programs (WIC):				
1. Cash Grants to States	1,498,000	1,557,598	1,615,000	57,402
2. Studies and Evaluations	2,000	2,982	2,000	-982
TOTAL, Special Supplemental Food Programs (WIC)	1,500,000	1,560,580	1,617,000	56,420
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food	15,934	26,566	29,837	3,271
2. Payments to distributing agencies for administration	6,104	6,227	5,265	-962
3. Pilot projects for elderly	2,880	3,984	3,503	-481
4. CCC donations	0	0	0	0
TOTAL, Commodity Supplemental Food Program (CSFP)	24,918	36,777	38,605	1,828

BUDGET AUTHORITY CURRENT LAW	1985 Actual	1986 Estimate	1987 Estimate	Change 1986-1987
E. Food Stamp Program:				
1. Benefit costs	10,782,710	10,738,185[b]	10,912,190	174,005
2. State administrative costs	915,341	967,480	1,027,217	59,737
3. Other program costs	53,476	58,517	61,647	3,130
4. Excess state error liabilities	0	0	-169,139	-169,139
5. Transfer to Office of Inspector General/OGC	17,329	55,337	0	-55,337
6. Unobligated balance lapsing	0	702[b]	0	-702
TOTAL, Food Stamp Program	11,768,856	11,820,221	11,831,915	11,694
F. Nutrition Assistance for Puerto Rico	825,000	820,050	825,000	4,950
G. Cash and Commodities for Selected Groups:				
1. Needy Family Program:				
a. Commodities in lieu of food stamps	7,486	40,372	39,505	-867
b. Distributing agency administrative costs	16,060	16,060	15,795	-265
2. Nutrition Program for the Elderly	116,000	136,973[c]	132,000	-4,973
TOTAL, Food Donation Programs	139,546	193,405	187,300	-6,105
H. Bonus and TEFAP Commodities, and Grants to Other Outlets.				
1. Bonus commodities:				
Section 416 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Section 32 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities	0	0	0	0
2. Grants:				
TEFAP Administrative Expense	57,000	49,700	0	-49,700
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets	57,000	49,700	0	-49,700
I. Food Program Administration:				
1. Child nutrition	27,224	26,521	27,847	1,326
2. Special milk	157	152	152	0
3. Special supplemental food	6,891	6,712	7,048	336
4. Food stamp	48,151	46,902	49,247	2,345
5. Food donations	1,764	1,720	1,806	86
TOTAL, Food Program Administration	84,187	82,007	86,100	4,093
GRAND TOTAL, Food Assistance	18,558,289	18,798,331	19,185,306	386,975
Section 32 commodities	336,502	350,900	350,900	0
CCC bonus commodities	0	0	0	0
TEFAP Commodities and Administrative Expense	57,000	49,700	0	-49,700
AMS bonus commodities	0	0	0	0
FNS	18,164,787	18,397,731	18,834,406	436,675

[a] Fiscal Year 1986 amounts represent the President's budget and reflect the effects of proposed legislation.

[b] The Appendix to the Budget for Fiscal Year 1987 shows an unobligated balance of $69,702,000 which reflects consultant services savings of $702,000 mandated by Section 515 of the conference version of the Treasury, Postal Service, and General Government Appropriations Act for 1986.

[c] A request has been submitted to the Congress to rescind $5,183,000.

FOOD AND NUTRITION SERVICE

Food Assistance Table
(Dollars in Thousands)
Current Law

OUTLAY	1985 Actual	1986 Estimate	1987 Estimate	Change 1986-1987
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School lunch program	510,980	429,809	553,207	123,398
b. Special assistance for free and reduced price lunches	2,043,923	2,207,022	2,339,565	132,543
c. School breakfast program	390,790	409,297	433,380	24,083
d. State administrative expenses	44,698	47,760	49,896	2,136
e. Summer food service program	110,463	121,746	131,822	10,076
f. Child care food program	417,537	482,833	537,955	55,122
TOTAL, Program grants to States	3,518,391	3,698,467	4,045,825	347,358
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	138,700	160,858	150,941	-9,917
b. AMS Section 32 commodities	336,502	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	475,202	511,758	501,841	-9,917
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,470	2,364	2,470	106
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
TOTAL, Nutrition studies and education	7,470	7,364	7,470	106
TOTAL, Child Nutrition Programs	4,001,063	4,217,589	4,555,136	337,547
AMS Section 32 commodities	336,502	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
FNS Child nutrition account	3,664,561	3,866,689[a]	4,204,236	337,547
B. Special Milk Program:				
1. Cash Payments to States	15,993	16,550	16,336	-214
C. Special Supplemental Food Programs (WIC):				
1. Cash Grants to States	1,494,707	1,578,905	1,610,525	31,620
2. Studies and Evaluations	28	2,390	2,000	-390
TOTAL, Special Supplemental Food Programs (WIC)	1,494,735	1,581,295	1,612,525	31,230
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food	32,285	26,880	28,277	1,397
2. Payments to distributing agencies for administration	7,342	6,283	6,519	236
3. Pilot projects for elderly	3,535	4,015	3,781	-234
4. CCC donations	0	0	0	0
TOTAL, Commodity Supplemental Food Program (CSFP)	43,162	37,178	38,577	1,399

OUTLAY - CURRENT LAW	1985 Actual	1986 Estimate	1987 Estimate	Change 1986-1987
E. Food Stamp Program:				
1. Benefit costs	10,775,431	10,599,522	10,912,173	312,651
2. State administrative costs	885,690	1,017,908	1,018,197	289
3. Other program costs	40,053	50,943	59,932	8,989
4. Excess state error liabilities	0	0	-169,139	-169,139
5. Transfer to Office of Inspector General/OGC	0	0	0	0
6. Unobligated balance lapsing	0	0	0	0
TOTAL, Food Stamp Program	11,701,174	11,668,373	11,821,163	152,790
F. Nutrition Assistance for Puerto Rico	824,564	820,366	825,000	4,634
G. Cash and Commodities for Selected Groups:				
1. Needy Family Program:				
a. Commodities in lieu of food stamps	24,965	43,329	39,505	-3,824
b. Distributing agency administrative costs	16,741	17,127	18,339	1,212
2. Nutrition Program for the Elderly	125,012	149,062[b]	121,577	-27,485
TOTAL, Food Donation Programs	166,718	209,518	179,421	-30,097
H. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable Institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Section 32 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable Institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities	0	0	0	0
2. Grants:				
TEFAP Administrative Expense	49,796	51,734	15,654	-36,080
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets	49,796	51,734	15,654	-36,080
I. Food Program Administration:				
1. Child nutrition	26,917	26,747	27,734	987
2. Special milk	155	152	152	0
3. Special supplemental food	6,813	6,769	7,019	250
4. Food stamp	47,608	47,301	49,046	1,745
5. Food donations	1,745	1,735	1,799	64
TOTAL, Food Program Administration	83,238	82,704	85,750	3,046
GRAND TOTAL, Food Assistance	18,380,443	18,685,307	19,149,562	464,255
Section 32 commodities	336,502	350,900	350,900	0
CCC bonus commodities	0	0	0	0
TEFAP Commodities and Administrative Expense	49,796	51,734	15,654	-36,080
AMS bonus commodities	0	0	0	0
FNS	17,994,145	18,282,673	18,783,008	500,335

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[a] Fiscal Year 1986 amounts represent the President's budget and reflect the effects of proposed legislation.

[b] A request has been submitted to Congress to rescind $5,183,000 in Budget Authority.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Child Nutrition Programs:

For necessary expenses to carry out the National School Lunch Act (42
1 U.S.C. 1751-[1761, and 1766] 1769b, except 1766(l)), and the
applicable provisions other than sections 3, 17, 18, and 19 of
2 the Child Nutrition Act of 1966 (42 U.S.C. 1773-1785, and 178[8]9);
3 [$4,114,140,000] $3,458,336,000, to remain available through [fiscal
year 1987] September 30, 1988, of which [$842,548,000] $230,413,000
is hereby appropriated and [$3,271,592,000] $3,227,923,000 shall be
derived by transfer from funds available under section 32 of the Act of
4 August 24, 1935 (7 U.S.C. 612c): Provided, That[, of funds provided
herein, $665,015,000 shall be available only to the extent an official
budget request is transmitted to the Congress: Provided further, That]
funds appropriated for the purpose of section 7 of the Child Nutrition Act
of 1966 shall be allocated among the States but the distribution of such
funds to an individual State is contingent upon that State's agreement to
participate in studies and surveys of programs authorized under the
National School Lunch Act and the Child Nutrition Act of 1966, when such
studies and surveys have been directed by the Congress and requested by
the Secretary of Agriculture: Provided further, That if the Secretary of
Agriculture determines that a State's administration of any program under
the National School Lunch Act or the Child Nutrition Act of 1966 (other
than section 17), or the regulations issued pursuant to these Acts, is
seriously deficient, and the State fails to correct the deficiency within
a specified period of time, the Secretary may withhold from the State some
or all of the funds allocated to the State under section 7 of the Child
Nutrition Act of 1966 and under section 13(k)(1) of the National School
Lunch Act; upon a subsequent determination by the Secretary that the programs
are operated in an acceptable manner some or all of the funds withheld may
5 be allocated: [Provided further, That if the funds available for Nutrition
Education and Training grants authorized under section 19 of the Child
Nutrition Act of 1966, as amended, require a ratable reduction in those
grants, the minimum grant for each State shall be $50,000:] Provided
further, That only final reimbursement claims for service of meals,
supplements, and milk submitted to State agencies by eligible schools,
summer camps, institutions, and service institutions within sixty days
following the month for which the reimbursement is claimed shall be
eligible for reimbursement from funds appropriated under this Act. States
may receive program funds appropriated under this Act for meals, supplements,
and milk served during any month only if the final program operations
report for such month is submitted to the Department within ninety days
following that month. Exceptions to these claims or reports submission
6 requirements may be made at the discretion of the Secretary: Provided
further, That funds available under this heading shall not be available
for program costs incurred by the Marshall Islands and the Federated States
7 of Micronesia: Provided further, That funds available under this heading
shall not be available for payment of program costs incurred by schools
and institutions in States that choose not to administer the program for
those schools and institutions, but whose current laws do not prohibit
such States from doing so, and instead shall be distributed by the
8 Department through private sector contracts: Provided further, That funds
available under this heading to finance meals served pursuant to sections
4, 6, 11, and 17 of the National School Lunch Act and section 4 of the

Child Nutrition Act of 1966 shall not be available to reimburse claims for
meals served to individuals from households with incomes exceeding 185
9 percent of the poverty level: Provided further, That funds available
under this heading shall be available for payment of reimbursement claims
for meals served during the last quarter of fiscal year 1986 under the
above terms and conditions, except that meals served pursuant to section
17 of the National School Lunch Act in the last quarter of fiscal year
10 1986 shall not be subject to the above terms and conditions: Provided
further, That funds available under this heading shall be available only
to reimburse claims for meals and supplements served pursuant to section
13 of the National School Lunch Act at rates which do not exceed: for
lunches--the value of assistance prescribed in sections 4(b)(2), 6(e),
and 11(a)(2) of such Act, as of July 1, 1987; for supplements--the rate
prescribed in section 17(c)(3) of such Act, as of July 1, 1987; and for
breakfasts--the rate prescribed in section 4(b)(1)(B) of the Child
11 Nutrition Act of 1966, as of July 1, 1987: Provided further, That funds
available under this heading for State administrative expenses, together
with funds obligated for such purpose in fiscal year 1986 at the Federal
level but which remain unobligated by the States at the beginning of
fiscal year 1987, shall be deemed to meet the funding level pursuant to
section 7 of the Child Nutrition Act of 1966.
NOTE: Legislative action required.

The first change updates the references and deletes the authorization to make child care audit grants.

The second change deletes the authorization to make grants for Nutrition Education and adds the authorization for payments to overseas schools for Department of Defense dependents.

The third change deletes matter applicable to 1986 and makes the 1987 appropriation available until September 30, 1988.

The fourth change deletes matter applicable to Fiscal Year 1986.

The fifth change deletes a requirement applicable only to the Nutrition Education Program for which no funds are requested.

The sixth change eliminates authorization for payments to the former Trust Territories consistent with the ratification of the Compact of Free Association.

The seventh change requires the distribution of funds by private sector contract to schools and institutions in States that choose not to administer programs but do not have laws that prohibit administration of the programs funded by this account. Those States that have laws that prohibit the administration of such programs will continue to be administered directly by the Department.

The eighth change provides that payments to schools and institutions shall be made only for meals served to children eligible to receive meals free or at reduced price.

The ninth change provides that payments from this appropriation may be made for meals served during the last quarter of Fiscal Year 1986. Further, payments made under this proviso must be limited to meals served to children from families with incomes under 185% of poverty except for those payments made under the Child Care Food Program.

The tenth change makes the rates of payment authorized for the Summer Food Service Program for Children comparable to other similar rates of payment funded under this appropriation.

The eleventh change authorizes inclusion of unobligated prior year balances in the determination of authorized State administrative expenses for Fiscal Year 1987.

CHILD NUTRITION PROGRAMS - CURRENT LAW

Appropriation Act, 1986	$ 3,873,190,655
Budget Estimate, Current Law, 1987	4,233,617,000
Increase in Appropriation	+360,426,345

CHILD NUTRITION PROGRAMS - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1987	$ 4,233,617,000
Change due to proposed legislation	-775,281,000
Net request, President's 1987 Budget Request	3,458,336,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW

(On basis of appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
School lunch program	$ 525,836,000	+$ 31,256,000	$ 557,092,000
Special assistance for free and reduced price lunches	2,208,432,000	+147,561,000	2,355,993,000
School breakfast program	410,918,000	+25,505,000	436,423,000
State administrative expenses	48,903,655	+2,313,345	51,217,000
Summer food service program	121,925,000	+10,823,000	132,748,000
Child care food program	483,542,000	+58,191,000	541,733,000
Commodity procurement	132,889,000	+18,052,000	150,941,000
Nutrition studies and surveys	2,364,000	+106,000	2,470,000
Nutrition education and training	5,000,000	--	5,000,000
Total Required	$3,939,809,655	+$293,807,345	$4,233,617,000
Proposed legislation	-66,619,000		-775,281,000
Total Available, President's Budget a/	3,873,190,655		3,458,336,000

a/ The level of available funding in Fiscal Year 1986 assumes the implementation of proposed legislation with resulting reduction of $66.6 million.

PROJECT STATEMENT - CURRENT LAW

(On basis of appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Paid lunches	$ 270,618,572	$ 266,020,400	+$ 15,812,400	$ 281,832,800
(2) Reduced price lunches	34,798,377	35,178,400	+2,091,100	37,269,500
(3) Free lunches	226,668,330	224,637,200	+13,352,500	237,989,700
Total, school lunch	532,085,279	525,836,000	+31,256,000(1)	557,092,000
(b) Special assistance for free and reduced price lunches:				
(1) Reduced price lunches	192,004,670	207,288,000	+18,240,000	225,528,000
(2) Free lunches	1,931,940,816	2,001,144,000	+129,321,000	2,130,465,000
Total, Special assistance	2,123,945,486	2,208,432,000	+147,561,000(2)	2,355,993,000
(c) School breakfast program:				
(1) Paid breakfasts	6,837,518	6,798,000	+462,000	7,260,000
(2) Reduced price breakfasts	11,843,559	12,435,000	+1,133,000	13,568,000
(3) Free breakfasts	388,314,075	391,685,000	+23,910,000	415,595,000
Total, School breakfasts	406,995,152	410,918,000	+25,505,000(3)	436,423,000

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
(d) State admnistrative expenses	45,530,000	48,903,655	+2,313,345(4)	51,217,000
(e) Summer food services program	115,100,000	121,925,000	+10,823,000(5)	132,748,000
(f) Child care food program:				
(1) Child care centers:				
(a) Paid meals	21,543,170	22,609,000	+1,461,000	24,070,000
(b) Reduced price meals	17,108,656	18,119,000	+1,563,000	19,682,000
(c) Free meals	182,190,514	195,096,000	+12,544,000	207,640,000
Subtotal	220,842,340	235,824,000	+15,568,000	251,392,000
(2) Family day care homes	208,069,349	240,658,000	+41,741,000	282,399,000
(3) Audit expenses	5,942,394	7,060,000	+882,000	7,942,000
Total, Child care food: Program	434,854,083	483,542,000	+58,191,000(6)	541,733,000
2. Commodity procurement:				
(a) Commodities	107,848,132	103,334,500	+14,037,200	117,371,700
(b) Cash in lieu of commodities	30,851,868	29,554,500	+4,014,800	33,569,300
Total, Commodity procurement	138,700,000	132,889,000	+18,052,000(7)	150,941,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,470,000	2,364,000	+106,000(8)	2,470,000
(b) Nutrition education and training	5,000,000	5,000,000	--	5,000,000
Total, appropriation	3,804,680,000	3,939,809,655	+293,807,345	4,233,617,000
Proposed legislation		-66,619,000		-775,281,000
President's Budget a/		3,873,190,655		3,458,336,000

a/ The level of available funding in Fiscal Year 1986 assumes the implementation of proposed legislation with resulting reduction of $66.6 million.

PROJECT STATEMENT - CURRENT LAW

(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Paid lunches	$ 270,618,572	266,020,400	+$15,812,400	$ 281,832,800
(2) Reduced price lunches	34,798,377	35,178,400	+2,091,100	37,269,500
(3) Free lunches	226,668,330	224,637,200	+13,352,500	237,989,700
Total, School lunch	532,085,279	525,836,000	+31,256,000(1)	557,092,000
(b) Special assistance for free and reduced price lunches:				
(1) Reduced price lunches	192,337,198	207,288,000	+18,240,000	225,528,000
(2) Free lunches	1,935,286,675	2,001,144,000	+129,321,000	2,130,465,000
Total, Special assistance	2,127,623,873	2,208,432,000	+147,561,000(2)	2,355,993,000
(c) School breakfast program:				
(1) Paid breakfasts	6,837,518	6,798,000	+462,000	7,260,000
(2) Reduced price breakfasts	11,843,559	12,435,000	+1,133,000	13,568,000
(3) Free breakfasts	388,314,075	391,685,000	+23,910,000	415,595,000
Total, School breakfast	406,995,152	410,918,000	+25,505,000(3)	436,423,000

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
(d) State administrative expenses	b/ 46,880,416	48,903,655	+2,313,345(4)	51,217,000
(e) Summer food service program	c/ 115,100,000	121,925,000	+10,823,000(5)	132,748,000
(f) Child care food program:				
(1) Child care centers:				
(a) Paid meals	21,543,170	22,609,000	+1.461.000	24,070,000
(b) Reduced price meals	17,108,656	18,119,000	+1,563,000	19,682,000
(c) Free meals	182,190,514	195,096,000	+12,544,000	207,640,000
Subtotal	220,842,340	235,824,000	+15,568,000	251,392,000
(2) Family day care homes	208,069,349	240,658,000	+41,741,000	282,399,000
(3) Audit expenses	5,942,394	7,060,000	+882,000	7,942,000
Total, Child care food program	434,854,083	483,542,000	+58,191,000(6)	541,733,000
2. Commodity procurement:				
(1) Commodities	107,848,132	103,334,500	+14,037,200	117,371,700
(2) Cash in lieu of commodities	30,851,868	29,554,500	+4,014,800	33,569,300
Total, Commodity procurement	138,700,000	132,889,000	+18,052,000(7)	150,941,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,470,000	2,364,000	+106,000(8)	2,470,000
(b) Nutrition education and training	5,000,000	5,000,000	--	5,000,000
Total, obligations	3,809,708,803	3,939,809,655	+293,807,345	4,233,617,000
Recovery of prior year obligations	-289,951	--	--	--
Unobligated balances:				
Available, start of period	-4,738,852	--	--	--
Available, end of period	--	--	--	--
Total appropriation	3,804,680,000	3,939,809,655	+293,807,345	4,233,617,000
Proposed Legislation		-66,619,000		-775,281,000
President's Budget a/		3,873,190,655		3,458,336,000

a/ The level of available funding in Fiscal Year 1986 assumes the implementation of proposed legislation with resulting reduction of $66.6 million.

b/ Includes $264,500 for Regional Office administered programs.

c/ Includes $708,594 and 15 staff years for Summer Food Service Program monitors.

EXPLANATION OF PROGRAM

The Child Nutrition Programs, authorized by the National School Lunch Act and the Child Nutrition Act of 1966, subsidize meals served to children. The programs reach children not only through schools but also through a variety of other institutions. A general description of the programs follows.

1. Cash Payments to States. The programs are operated under an agreement entered into by the State agencies and the Department. Funds are made available under letters of credit to State agencies for use in reimbursing participating schools and other institutions. Sponsors make application to the State agencies, and if approved, are reimbursed on a per-meal basis in accordance with the terms of their agreements and the rates prescribed by law. The reimbursement rates are adjusted annually to reflect changes in the Consumer Price Index for Food Away From Home.

(a) School Lunch Program. Assistance is provided to the States for the service of lunches to all school children, regardless of family income. States must match a portion of the Federal cash grant. In Fiscal Year 1986 under current law, the School Lunch Program will provide assistance for serving an estimated 3,949 million school lunches including 1,998 million for children from middle and upper income families and 1,951 million for children from low income families. Schools which, in the second previous fiscal year, served at least 60 percent of their lunches at free or reduced prices receive an additional $.02 per meal assistance. An estimated 23.6 million children are expected to participate in the School Lunch Program daily during the school year.

(b) Special Assistance for Free and Reduced Price Lunches. Additional assistance is provided to the States for serving lunches free or at a reduced price to needy children. In Fiscal Year 1986 under current law, the program will provide assistance for about 1,951 million lunches, of which 1,687 million will be served free of charge and 264 million at reduced price. Approximately 11.7 million needy children will participate on an average school day during the year.

(c) School Breakfast Program. Federal reimbursement is based on the number of breakfasts served free, at a reduced price, or at the general rate for those served to non-needy children. Certain schools, designated in severe need because, in the second preceding year, they served at least 40 percent of their lunches at free or reduced prices and because the regular breakfast reimbursement is insufficient to cover costs, receive higher rates of reimbursement in both the free and reduced price categories. In Fiscal Year 1986 under current law, the program will serve an estimated 610 million breakfasts to a daily average of 3.6 million children.

(d) State Administrative Expenses. These funds may be used for State employee salaries, benefits, support services and office equipment. Public Law 95-627 made the State Administrative Expenses grant equal to 1 1/2 percent of Federal payments in the second previous year. In Fiscal Year 1986, $48,903,655 will be allocated among the States to fund on-going State administrative expenses and to improve the management of the various nutrition programs.

(e) Summer Food Service Program. Meals served free to children in low-income neighborhoods during the summer months are supported on a performance basis by Federal cash subsidies to State agencies. Funds are also provided for related State and local administrative expenses. During the summer of 1986, approximately 79 million meals will be served to about 1.6 million children in the peak month.

(f) Child Care Food Program. Preschool and other children receive year-round food assistance in nonprofit child care centers and family and group day care homes. P.L. 97-35 permits profit-making child care centers receiving compensation under Title XX of the Social Security Act to participate in the program if 25 percent of the children served are Title XX participants. The Child Care Food Program reimburses State agencies at varying rates for breakfasts, lunches, suppers and meal supplements and for program related State audit expenses. In Fiscal Year 1986, approximately 682 million meals will be served to a daily average of 1.1 million children.

2. Commodity Procurement. Commodities are purchased for distribution to the School Lunch, Child Care Food and Summer Food Service Programs. The minimum commodity support rate for all school lunch and child care center lunches and suppers served is mandated by law and adjusted annually on July 1 to reflect changes in the Producer Price Index for Food Used in Schools and Institutions. The commodities purchased with these funds are supplemented by commodities purchased with Section 32 funds.

3. Nutrition Studies and Education

(a) Nutrition Studies and Surveys. In Fiscal Year 1986, the funds appropriated for this purpose will be used for several studies. Included among these are an evaluation of quality assurance procedures in the school nutrition programs; a study of sales verification procedures as they relate to commodity processing in the Child Nutrition Programs; and an evaluation of the efficiency of State commodity distribution systems.

(b) Nutrition Education and Training. Public Law 95-166 instituted a program of grants to the States for nutrition education in schools. In Fiscal Year 1986, $5 million will be made available to the States for nutrition education and training.

JUSTIFICATION OF INCREASES AND DECREASES

The Fiscal Year 1987 request under Current Law for the Child Nutrition Programs reflects a $293.8 million increase.

(1) Under current law, an increase of $31,256,000 in the appropriation for the School Lunch Program ($525,836,000 would be required in Fiscal Year 1986).

Need for Change. The total number of school lunches is expected to increase by 74 million in Fiscal Year 1987 due to increased school enrollment. The reimbursement rates will increase based on a rising Consumer Price Index (CPI) for Food Away from Home.

Nature of Change. An appropriation of $557,092,000 will be needed in Fiscal Year 1987 for the School Lunch Program (section 4) to provide full reimbursement for meals served. The following table compares meals served and rates:

Meals in millions	FY 1986 Estimate	FY 1987 Estimate	Change
Paid	1,998	2,035	+37
Free	1,687	1,719	+32
Reduced Price	264	269	+5
Total meals	3,949	4,023	+74
Average participation (millions)	23.6	24.1	+.5
Average rates (cents)	12.59	13.12	+.53
Program Cost ($mil)	$525.8 a/	$557.1 a/	+$31.3

a/ Includes funds for schools which receive additional two cents reimbursement.

(2) Under current law, an increase of $147,561,000 in the appropriation for Special Assistance for Free and Reduced Price Lunches ($2,208,432,000 would be required in Fiscal Fiscal 1986.

Need for Change. An increase of 32 million free lunches is expected in Fiscal Year 1987, with a 5 million increase in reduced price lunches. This projected increase is based on increasing school enrollment. The projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away From Home will contribute to the need for increased funding.

Nature of Change. An appropriation of $2,355,993,000 will be needed in Fiscal Year 1987 for Special Assistance for Free and Reduced Price Lunches. The following table compares meals served and rates.

Meals in Millions	FY 1986 Estimate	FY 1987 Estimate	Change
Free	1,687	1,719	+32
Reduced price	264	269	+5
Total meals	1,951	1,988	+37
Average participation (millions)	11.7	11.9	+.2
Average rates (cents)			
Free	118.61	123.97	+5.36
Reduced price	78.46	83.80	+5.34
Program cost ($mil)	$2,208.4	$2,356.0	+$147.6

(3) Under current law an increase of $25,505,000 in the appropriation for the School Breakfast Program ($410,918,000 would be required in Fiscal Year 1986).

Need for Change. An increase of 10 million breakfasts is projected for Fiscal Year 1987. In addition all rates are expected to rise on July 1 based on the CPI for Food Away from Home series which will require increased funding for school breakfasts.

Nature of Change. An appropriation of $436,423,000 will be needed in Fiscal Year 1987 for the School Breakfast Program.

The table which follows compares meals and rates in the School Breakfast Program by category.

Meals in Millions	FY 1986 Estimate	FY 1987 Estimate	Change
Paid	69	70	+1
Free	513	522	+9
Reduced price	28	28	--
Total	610	620	+10
Average rates (cents)			
Paid	9.84	10.34	+.5
Free	75.42	78.76	+3.34
Reduced price	45.38	48.72	+3.34
Participation (Avg)(mil) .	3.6	3.7	+.1
Program Cost ($ mil)	$410.9	$436.4	+$25.5

(4) Under current law an increase of $2,313,345 in the appropriation for State Administrative Expenses ($48,903,655 is available in Fiscal Year 1986).

Need for Change. The grant level for State Administrative Expenses is calculated based upon 1.5 percent of funds expended in the second previous fiscal year for the School Lunch, Special Assistance, School Breakfast, Child Care Food and Special Milk Programs.

The increase in Fiscal Year 1987 is attributable to the rise in funding of the second preceding year (Fiscal Year 1985).

Nature of Change. An appropriation of $51,217,000 will be needed in Fiscal Year 1987 for State Administrative Expenses. Each State will receive a grant of at least one percent of the funds available with a minimum grant of $100,000. The funds above the basic grant will be allocated to the States to improve program administration.

(5) Under current law an increase of $10,823,000 in the appropriation for the Summer Food Service Program ($121,925,000 is available in Fiscal Year 1986).

Need for Change. The number of meals served in the Summer Food Service Program is expected to increase by 2.9 million in Fiscal Year 1987 over Fiscal Year 1986, for a projected total of 81.5 million meals. Per meal reimbursement rates which are adjusted each January 1 will escalate in accordance with changes in the CPI for Food Away from Home.

Nature of Change. An appropriation of $132,748,000 will be needed in the Summer Food Service Program in Fiscal Year 1987 to provide full reimbursement for meals served.

(6) Under current law an increase of $58,191,000 in the appropriation for the Child Care Food Program ($483,542,000 is available in Fiscal Year 1986).

Need for Change. An increase in Child Care Food Program participation and the corresponding number of meals served is anticipated in Fiscal Year 1987 in both child care centers and family day care homes. Reimbursement rates are expected to increase based upon changes in the CPI for Food Away from Home.
Audit expense funds which are allocated to the States based on program cost levels in the second preceding fiscal year, will also increase in Fiscal Year 1987.

Nature of Change. An appropriation of $541,733,000 will be needed in Fiscal Year 1987 in the Child Care Food Program to fully fund projected meals served.

The following table compares the Fiscal Year 1986 meals and rates with the projected Fiscal Year 1987 Program.

Meals in Millions	FY 1986 Estimate	FY 1987 Estimate	Change
Meals served:			
Child care centers:			
Paid	105	107	+2
Reduced price	40	40	--
Free	252	257	+5
Total child care centers	397	404	+7
Family day care homes	284	320	+36
Total	681	724	+43
Average subsidy per meal (cents):			
Child care centers:			
Paid	12.1	12.5	+.4
Reduced price	54.6	57.9	+3.3
Free	86.7	90.5	+3.8
Family day care homes	70.2	73.3	+3.1
Program cost ($ mil)	$483.5	$541.7	+$58.2

(7) Under current law, an increase of $18,052,000 in the appropriation for Commodity Procurement ($132,889,000 would be required in Fiscal Year 1986).

Need for Change. An increase of 74 million school lunches and 7 million meals served in child care centers is projected for Fiscal Year 1987. The rate of commodity support per meal will also increase from 11.78 cents in Fiscal Year 1986 to 12.00 cents in Fiscal Year 1987.

Nature of Change. In addition to the direct appropriation for commodity procurement for the Child Nutrition Programs, the Agricultural Marketing Service uses section 32 funds for Strengthening Markets, Income and Supply to purchase commodities for the Child Nutrition Programs. The total projected usage of the funds from the two accounts in Fiscal Years 1986 and 1987 is as follows:

Account	(Dollars in Millions) FY 1986 Estimate	FY 1987 Estimate	Change
Child Nutrition Programs	$132.9	$150.9	+$18.0
Section 32 Funds for Strengthening Markets, Income and Supply	350.9	350.9	--
Total	$483.8	$501.8	+$18.0

(8) Under current law, an increase of $106,000 in the appropriation for nutrition studies and surveys ($2,364,000 is available in Fiscal Year 1986).

Need for Change. An increase of $106,000 is requested to restore the consulting services reduction resulting from the Treasury, Postal Service, and General Government Appropriations Act, 1986.

Nature of Change. An appropriation of $2,470,000 will be needed to restore this program to the full funding level in Fiscal Year 1987. These funds would be used to begin preparation for a study of income verification in the Child Nutrition Programs. The study is designed to examine ways of reducing income mis-reporting and to improve the current system of income verification. A decrease in funding would delay the implementation of these improvements.

Child Nutrition Programs
Summary of Proposed Legislation

SUMMARY INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1987 Current Law	Program Changes	President's Request
School lunch program	$ 557,092,000	-$529,337,000	$ 27,755,000
Special assistance	2,355,993,000	+16,795,000	2,372,788,000
School breakfast program	436,423,000	-22,316,000	414,107,000
State administrative expenses	51,217,000	-19,562,000	31,655,000 a/
Summer food service program	132,748,000	-21,048,000	111,700,000
Child care food program	541,733,000	-203,677,000	338,056,000
Commodity procurement	150,941,000	+8,864,000	159,805,000
Nutrition studies and surveys	2,470,000	--	2,470,000
Nutrition education and training	5,000,000	-5,000,000	--
Total Available	$4,233,617,000	-$775,281,000	$3,458,336,000

a/ In addition an estimated $19,562,000 from Fiscal Year 1986 funds will be available to States, leaving the total Fiscal Year 1987 grant at $51,217,000.

Explanation of Proposed Legislation

Proposed legislation for the Child Nutrition Programs would:

-- Eliminate cash and commodity subsidies to upper income participants effective July 1, 1986, in the School Lunch and School Breakfast Programs, and in the Child Care Food Program effective October 1, 1986. In addition a means test for family day care home participants would reestablish eligibility requirements under which only needy children would qualify to receive subsidized meals.

-- Change the mix of cash and commodity support for free and reduced price school lunches and lunches and suppers in child care centers. Per meal commodity support would rise to 24.25 cents in Fiscal Year 1987 and be frozen thereafter; future increases to free and reduced price subsidies would be funded out of the cash account.

-- Eliminate special state audit funds in the Child Care Food Program.

-- Cap spending for special higher subsidies (NSLP 2 cent differential payments and severe need Breakfast payments) at the Fiscal Year 1986 level.

-- Include unobligated State Administrative Expense funds from Fiscal Year 1986 available to a State in the calculation of their Fiscal Year 1987 grant.

-- Adjust meal payment rates in the Summer Food Service Program to make them comparable to the free meal rates in the National School Lunch, School Breakfast and Child Care Food Programs.

-- Eliminate subsidies for Sponsor administrative costs in the Summer Food Service Program.

-- Eliminate the Nutrition Education and Training Program.

CHILD NUTRITION PROGRAMS

STATUS OF PROGRAM

Child Nutrition Programs

The National School Lunch and Child Nutrition Acts authorize a number of food service programs for children in schools and other institutional settings. These programs include the National School Lunch, School Breakfast, Child Care Food and Summer Food Service Programs. The Acts also authorize funding to help States pay the administrative expenses associated with these programs, for a nutrition education and training program and for the costs of certain nutrition studies and surveys.

The Food and Nutrition Service (FNS) is responsible for the administration of the Child Nutrition Programs. Cooperating State agencies administer the programs in public schools and institutions. A number of these State agencies administer the programs for nonprofit private schools and institutions as well. Some States are prohibited by law from administering the programs in private schools and institutions. In these States, FNS directly administers the programs through its regional offices. The Omnibus Reconciliation Act of 1981, P.L. 97-35 directed that States which were administering the Child Nutrition Programs as of October, 1980 could no longer request that FNS administer them.

National School Lunch Program

The National School Lunch Program (NSLP) is the oldest and largest of the Child Nutrition Programs. First authorized under the National School Lunch Act of 1946, the program provides Federal assistance to help schools and nonprofit residential child care institutions serve nutritious lunches to children.

Eligible schools and institutions include public schools of high school grade or under, nonprofit private schools of high school grade or under whose average yearly tuition does not exceed $1,500 per student, and nonprofit residential child care institutions such as orphanages, homes for retarded children, and temporary shelters for runaway children.

States are reimbursed on the basis of the number of meals served in the State at rates which vary according to the family income of the participating child in participating schools. Children from families which meet certain income guidelines can qualify for free or reduced price lunches. Income eligibility for free meals is set at 130 percent of the Federal income poverty guidelines and reduced price meals eligibility is set at 185 percent. For the period July 1, 1985 - June 30, 1986, a child from a family of four with an income of $13,845 or less would be eligible for free meals, and for reduced price meals if the family income was no more than $19,703.

On an average school day in Fiscal Year 1985, an estimated 23.6 million children participated in the School Lunch Program, compared to an estimated 23.4 million children in Fiscal Year 1984. The total number of participating schools and residential child care institutions remained about the same at 89,600 during Fiscal Years 1984 and 1985.

Per-meal reimbursement rates for meals served are revised on July 1 of each year. For the period July 1, 1985 - June 30, 1986, the average reimbursement rates are as follows: section 4 rate is $.1250; section 11 free rate is $1.1775; section 11 reduced price rate is $.7775 and the commodity assistance rate is $.1175 per meal. Schools which serve more than 60 percent of lunches at the reduced price and free rates receive increased assistance at the rate of $.02 per meal served. The following table compares the meals served in the three reimbursement categories for Fiscal Years 1984 and 1985.

	Fiscal Year 1984	Fiscal Year 1985	Percent Change
Number of lunches served (millions):			
Paid	1,876	1,978	+1%
Reduced Price	248	254	+.5%
Free	1,702	1,657	-.5%
Total Lunches	3,826	3,889	+1%

School Breakfast Program

This program, initially authorized as a two-year pilot program under the Child Nutrition Act of 1966, was made permanent in October 1975. For each breakfast served, schools are reimbursed at established free, reduced price and paid meal rates. Schools which serve more than 40 percent of their lunches during the second preceding school year at the reduced price and/or free rates are eligible for additional "severe need" assistance calculated at established rates.

The income eligibility guidelines for the School Breakfast Program are the same as those for the National School Lunch Program. The School Breakfast Program is available to the same schools and institutions as the National School Lunch Program.

In Fiscal Year 1985 school breakfasts were available to approximately 15.1 million children daily in schools and institutions. Between October 1984 and October 1985, the number of schools and institutions participating in the breakfast program increased by 11 over the span of the year. The average number of children eating breakfasts daily increased from an estimated 3.43 million in Fiscal Year 1984 to an estimated 3.44 million in Fiscal Year 1985. In Fiscal Year 1985, 593.7 million breakfasts were served as compared to 590.3 million in Fiscal Year 1984.

Per-meal reimbursement rates for the period July 1, 1985 - June 30, 1986, follow: paid rate is $.0975, regular reduced price rate is $.3800, regular free rate is $.6800, severe need reduced price rate is $.5175, severe need free rate is $.8175.

State Administrative Expenses

FNS makes funds available to the States for supervision and technical assistance in local school districts and child care institutions. In Fiscal Year 1985, a total of $46.9 million was made available for State Administrative Expenses.

Of this amount $39.7 million was allocated under the basic formulas, $7.0 million was made available to the States to improve their program administration and $.2 million to meet justified individual State needs at the time of funds reallocation. Of amounts made available to the States to improve their program administration, $4.0 million was to improve accountability in the school food programs, $1.3 million (in addition to the basic formula) to improve the administration of the Child Care Food Program and to help defray the expenses associated with additional program monitoring activities, and $1.7 million to monitor food processing contracts in order to improve accountability for donated commodities, and in general to upgrade the overall management of the Food Distribution Program. A study of SAE funding was also completed to describe current state and administrative operations. The study identified the circumstances under which States expend less SAE funds than are available from the Federal Government, which contributes to the substantial amount of funds States carry over. In 1984, the total amount of SAE carryover was more than 40 percent of the appropriation.

Summer Food Service Program

The Summer Food Service Program, authorized under section 13 of the National School Lunch Act, provides funds for food service for children during summer vacation. Service institutions eligible to participate in this program are limited to those serving children from areas in which poor economic conditions exist. Furthermore, these institutions must be public or private non-profit schools, other government organizations, or public or private non-profit residential camps. Meals are served free to all participants and are limited to lunch and either breakfast or a supplement, except in summer camps and migrant programs which may serve breakfast, lunch, supper and a supplement to each participant.

In addition to cash support, commodities are distributed to summer programs. Funds are also made available to conduct health inspections and to defray State and local administrative costs.

In the summer of 1985, FNS administered the program in 17 States. In the balance of the States, the program was operated by State agencies. During July, the peak month of program operations, approximately 1.5 million children participated in the program. Over the course of the summer, an estimated 76.2 million meals were served at an estimated cost of $115.1 million.

Child Care Food Program

Authorized under section 17 of the National School Lunch Act, the Child Care Food Program provides funds for food service for children in child care centers and family and group day care homes. These non-residential centers must be nonprofit facilities, and be licensed or approved according to Federal, State or local standards. In addition, funds are made available to the States for audit expenses associated with the administration of the Child Care Food Program.

In Fiscal Year 1985, approximately 1.03 million children participated in the Child Care Food Program, as compared to 1.0 million in Fiscal Year 1984. The number of meals served increased by about 8.2 percent from 593.5 million meals in Fiscal Year 1984 to 642.5 million meals in Fiscal Year 1985.

Commodity Procurement

The commodity subsidy is authorized by section 6(e) of the National School Lunch Act and is based on a "rate per meal" concept. For Fiscal Year 1985 the schools, day care centers, and residential institutions were authorized 12.0 cents worth of commodities per meal. USDA also provides commodities which are acquired through the price support and surplus removal programs. Therefore, schools and institutions receive both the commodities to which they are "entitled" under the rate per meal subsidy, and the commodities which USDA acquires through agricultural programs and donates to schools over and above the "entitlement" level.

In Fiscal Year 1985, foods valued at $849.3 million were provided for the School Lunch, Child Care Food and Summer Food Service Programs. This figure includes $374.1 million of foods given to States from Commodity Credit Corporation (CCC) inventories and Section 32 surplus removal operations known as "bonus" commodities. An additional $30.9 million in cash-in-lieu of commodities was distributed for child care food programs, which may opt for commodities or cash, to the State of Kansas, and to sites participating in the legislatively mandated study of alternatives to commodity donation. For the school programs, excluding Kansas and the school districts participating in the study, 100 percent of the authorized commodity subsidy in school year 1985 was provided through food donations.

Entitlement. In Fiscal Year 1985, the value of the commodity entitlement was computed to be $475.2 million for the School Lunch, Summer Food and Child Care Food Programs. As with the cash subsidy, this amount was the product of the estimated number of free, reduced price and paid meals times the commodity subsidy rate (i.e., rate per meal times total meals) for the School Lunch and Child Care Food Programs, with a fixed amount for the Summer Food Service Program.

There are two sources of funds in USDA for purchase of the commodities necessary to fulfill the authorized commodity entitlement. The sources are: funds received under authority of Section 32 of the Act of August 24, 1935, and funds received for commodity purchases under the Child Nutrition Programs appropriation. For Fiscal Year 1985 the commodity entitlement of $475.2 million was funded by using $336.5

million from Section 32 funds and $138.7 million from Child Nutrition Programs appropriated funds. As discussed below, there is some variation in the types of purchases which can be made through these two funding sources.

Section 32. Funds are provided by a permanent appropriation equal to 30 percent of customs receipts. The purpose of the fund is to purchase perishable non-basic commodities when it is necessary to divert them "from the normal channels of trade." The typical commodities purchased include meat, poultry, fish, fruits and vegetables. During the annual budget process, it is determined what portion of Section 32 funds will be used to pay for commodity entitlement purchases. Within the constraints of market conditions, seasonality of crops, and other factors, these purchases are planned so that commodities are delivered to schools on a regular basis throughout the year.

Child Nutrition Appropriation. Appropriated funds are used to make up the remainder of the funds necessary to satisfy the school lunch commodity entitlement under the authority of section 6(e) of the National School Lunch Act. Although market considerations play a role, essentially these are open market purchases. Because Section 32 funds can only be used to purchase perishable, non-basic commodities (meat, poultry, fish, fruits and vegetables), section 6(e) funds are primarily used to provide schools with some of the non-perishable basic commodities (grains, oil, and peanut products).

In addition, section 6(e) funds are used to provide cash-in-lieu of commodities when authorized by law. The areas currently receiving cash-in-lieu of commodities are Kansas, the sites participating in the study of alternatives to commodity donation and child care centers electing to receive their commodity entitlements in cash. In Fiscal Year 1985, cash-in-lieu obligations accounted for about $30.9 million of the $138.7 million of the Child Nutrition Appropriation used for commodity purchases.

Commodity Donations. In addition to commodities purchased to fulfill the Child Nutrition Programs entitlement, commodities that are acquired by USDA through its agricultural programs may be donated to schools and other institutions. There are two types of agricultural programs through which commodities are acquired: the price support program and the surplus removal program.

Price Support Program. When the Commodity Credit Corporation (CCC) acquires significant inventories of price support commodities, section 416 of the Agricultural Act of 1949 authorizes the CCC to donate commodities from its inventory to schools and other institutions. During Fiscal Year 1985 the Department donated the following products: cheese, butter, nonfat dry milk, honey and milled rice. Section 416 bonus donations to the Child Nutrition Programs were estimated at $343.5 million in Fiscal Year 1985.

Surplus Removal Program. Under the provisions of Section 32, funds are available for emergency surplus removal purchases. The Secretary of Agriculture determines when perishable commodities such as meats, poultry, fish, fruits and vegetables should be purchased and donated to schools and institutions under this surplus removal authority. In Fiscal Year 1985, about $30.6 million in bonus commodities were donated to schools and other eligible child nutrition outlets under this authority.

The following table shows the type and value of commodities purchased or donated and the amount of cash-in-lieu of commodities allocated in Fiscal Year 1985.

Value of Commodities
Fiscal Year 1985

	Value ($ million)
Purchased with funds appropriated to Food and Nutrition Service:	
Section 32 type--meats, poultry, fish, fruits and vegetables	35.1
Section 416 type--grains, oils, peanut products	72.7
Total FNS	107.8
Purchased under Section 32 authority by Agricultural Marketing Service:	
Section 32	336.5
Bonus commodities donated from CCC inventory or purchased under Section 32 authority:	
Section 416 bonus--cheese, butter, nonfat dry milk, honey, milled rice	343.5
Section 32 bonus--meats, poultry, fruits and vegetables	30.6
Cash in lieu of commodities for the State of Kansas, for the Child Care Food Program; the Study of Alternatives to Commodity Donation; and Commodity Distribution Administrative Costs	30.9
Total	849.3

Nutrition Studies and Surveys

Section 6(a)(3) of the National School Lunch Act authorizes the use of Child Nutrition Programs funds for nutrition studies and surveys. In Fiscal Year 1985, funds appropriated for this purpose were used to continue three studies begun in previous fiscal years and to begin four new projects. The three ongoing efforts are: a study of alternatives to commodity donation in the National School Lunch Program; a followup to the National Evaluation of School Nutrition Programs which is intended to update the statistical models in the School Lunch and Breakfast Programs; and the School Food Purchase Survey which will provide national estimates of the amounts and costs of specific foods purchased by and donated to school feeding programs.

Four new projects which will begin in Fiscal Year 1986 are an evaluation of the Child Care Food Program, a study of the Summer Food Service Program, a study of the efficiency of State commodity distribution systems, and an effort to provide ongoing analytical support for Agency planning and management.

Nutrition Education and Training Program

The Nutrition Education and Training (NET) Program is authorized by section 19 of the Child Nutrition Act. The program provides funds for training school food service personnel in food service management, instructing teachers in nutrition education and teaching children about the relationship of nutrition to health in order to assist them in making wise food choices.

In Fiscal Year 1985, $5 million was appropriated for this activity and allocated among the States for the NET Program. Final Fiscal Year 1985 State agency reports show that approximately 61 thousand school food service personnel, 100 thousand teachers, and 3.0 million children participated in NET funded projects.

CHILD NUTRITION AND SPECIAL MILK PROGRAM

FINANCING FOR FISCAL YEAR 1985
(Dollars in Thousands)

State or Territory	Special Milk	School Lunch	Special Meal Assistance	School Breakfast	State Administrative Expenses	Commodities and Cash in Lieu of Commodities	Child Care	Summer Food Service	N E T	Total Program Contribution
Alabama	46	11,702	56,467	10,911	1,215	18,110	10,001	3,160	72	111,679
Alaska	23	1,098	4,153	460	269	1,496	2,134	2	50	9,716
Arizona	272	5,412	23,735	4,711	578	9,108	7,760	999	50	52,626
Arkansas	28	6,306	27,488	5,068	616	10,264	3,548	145	50	53,505
California	1,160	43,740	233,300	50,870	4,962	67,510	47,101	10,070	417	459,130
Colorado	94	5,619	17,431	2,001	316	11,952	11,300	686	53	49,453
Connecticut	500	4,902	16,099	923	460	9,079	4,387	1,665	53	38,274
Delaware	33	1,054	3,936	917	273	2,462	1,665	674	50	11,064
District of Columbia	20	1,132	7,488	1,093	306	1,310	1,619	287	50	13,900
Florida	132	21,344	91,395	18,824	1,903	34,994	13,292	4,328	136	188,669
Georgia	99	19,369	79,810	13,775	1,911	31,588	13,990	3,176	105	161,197
Hawaii	12	3,287	10,767	2,086	219	4,028	1,485	336	50	22,190
Idaho	78	2,336	7,837	330	298	3,866	1,563	71	50	16,411
Illinois	2,376	18,445	87,834	10,126	1,733	30,207	18,355	3,308	209	170,586
Indiana	228	11,632	29,483	2,973	691	21,617	5,648	1,518	100	74,089
Iowa	143	7,445	18,614	1,288	483	13,015	4,427	646	51	45,864
Kansas	88	5,422	14,856	646	409	9,873	5,770	295	50	37,607
Kentucky	113	10,388	42,699	12,236	1,078	18,370	3,992	1,280	65	90,123
Louisiana	96	14,312	65,700	12,451	1,213	19,651	17,010	2,835	85	133,330
Maine	72	2,330	9,467	937	314	4,296	2,603	240	50	20,329
Maryland	330	7,038	26,766	4,284	709	13,895	7,158	1,774	73	62,020
Massachusetts	302	8,749	28,694	4,073	1,426	17,895	14,959	1,621	96	77,816
Michigan	743	12,168	49,610	3,326	1,258	22,064	15,029	3,524	178	111,096
Minnesota	390	8,821	22,880	1,605	821	19,222	17,795	848	72	72,494
Mississippi	13	8,219	47,104	11,302	1,052	13,234	12,035	2,684	50	95,893
Missouri	335	10,733	37,215	5,236	603	16,763	7,857	1,001	84	79,809
Montana	59	1,734	5,308	378	328	3,119	2,126	177	50	13,409
Nebraska	100	3,371	9,277	609	207	6,234	4,505	199	50	24,731
Nevada	22	1,099	3,612	1,013	245	2,420	538	56	50	9,055
New Hampshire	235	1,635	4,104	465	260	3,304	1,226	205	50	11,705
New Jersey	858	11,360	46,320	4,824	1,047	16,333	9,935	4,327	128	95,337
New Mexico	30	3,653	19,118	2,771	472	6,528	5,530	1,052	50	39,224
New York	1,742	31,562	161,134	29,702	2,469	59,880	33,371	23,880	200	344,260
North Carolina	85	16,874	68,276	18,933	1,876	28,338	8,570	2,040	108	142,119
North Dakota	16	1,804	4,421	383	301	3,157	3,880	190	50	14,102
Ohio	1,136	19,993	76,124	14,130	1,515	32,918	12,270	2,496	192	160,794
Oklahoma	15	7,321	26,688	4,905	652	16,066	5,426	469	56	61,597
Oregon	153	4,210	15,335	1,800	298	8,884	4,412	429	50	35,572
Pennsylvania	631	20,808	73,320	6,034	1,427	41,460	13,800	7,492	197	165,169
Rhode Island	87	1,222	5,839	774	261	2,100	1,191	888	50	12,412
South Carolina	36	10,097	65,869	9,209	891	15,375	4,824	2,590	60	88,950
South Dakota	39	1,896	7,234	1,278	287	3,097	1,559	532	50	15,972
Tennessee	40	12,096	47,249	11,458	771	16,983	6,099	1,230	82	96,007
Texas	121	36,074	138,709	47,567	2,943	64,641	21,967	3,276	289	333,367
Utah	24	4,993	11,778	536	358	7,901	5,081	129	50	30,449
Vermont	165	666	3,018	71	245	1,362	768	39	50	6,806
Virginia	137	12,442	39,942	5,851	677	20,626	6,512	1,272	95	87,556
Washington	300	6,572	24,101	2,555	374	12,630	12,159	477	72	60,241
West Virginia	28	4,493	21,161	7,643	514	7,733	2,568	554	50	44,764
Wisconsin	1,374	8,848	27,082	2,079	620	15,888	5,336	646	85	61,980
Wyoming	23	1,092	2,403	111	253	1,908	1,232	8	50	7,081
American Samoa	0	188	2,113	856	164	524	0	0	50	3,095
Guam	0	365	1,870	598	209	585	5	0	50	2,678
N. Mariana Islands	0	123	1,150	424	164	80	13	0	50	2,004
Puerto Rico	0	11,280	84,167	15,623	1,099	16,093	0	3,019	71	131,352
Trust Territory	0	732	5,930	1,948	174	1,662	0	0	50	10,496
Virgin Islands	6	491	3,174	76	223	750	297	261	50	5,329
Indian Tribes	0	0	0	0	0	0	0	0	0	0
DOD Army/AF	0	451	552	0	0	381	0	0	0	1,384
Undistributed	379	29,025	69,206	27,0[illegible]	265	963	4,228	10,200	0	151,609
TOTAL	15,508	532,085	2,127,623	406,995	46,580	849,211	424,854	115,100	5,000	4,533,258

SCHOOL LUNCH PROGRAM

SCHOOLS, ENROLLMENT AND PARTICIPATION
FISCAL YEAR 1985

STATE	NUMBER OF SCHOOLS	ENROLLMENT (000)	PEAK PARTICIPATION (000)
ALABAMA	1,361	739	592
ALASKA	349	63	38
ARIZONA	940	483	264
ARKANSAS	1,058	307	298
CALIFORNIA	7,845	3,727	1,903
COLORADO	1,286	513	284
CONNECTICUT	952	432	226
DELAWARE	188	96	55
DISTRICT OF COLUMBIA	192	89	48
FLORIDA	2,256	1,522	1,005
GEORGIA	1,798	1,080	890
HAWAII	261	173	147
IDAHO	518	206	122
ILLINOIS	4,015	1,749	915
INDIANA	2,284	1,097	621
IOWA	1,712	509	391
KANSAS	1,573	372	286
KENTUCKY	1,529	676	510
LOUISIANA	1,736	812	726
MAINE	752	209	115
MARYLAND	1,300	700	346
MASSACHUSETTS	2,040	882	479
MICHIGAN	3,831	1,789	709
MINNESOTA	1,811	737	464
MISSISSIPPI	924	480	415
MISSOURI	2,409	849	539
MONTANA	652	144	87
NEBRASKA	1,194	269	187
NEVADA	246	136	55
NEW HAMPSHIRE	441	168	86
NEW JERSEY	2,387	1,060	551
NEW MEXICO	707	278	171
NEW YORK	5,100	2,663	1,484
NORTH CAROLINA	2,078	1,092	814
NORTH DAKOTA	509	124	94
OHIO	4,091	1,874	909
OKLAHOMA	1,891	599	368
OREGON	1,179	410	230
PENNSYLVANIA	3,760	1,785	1,011
RHODE ISLAND	328	140	56
SOUTH CAROLINA	1,109	607	478
SOUTH DAKOTA	280	124	89
TENNESSEE	1,722	823	611
TEXAS	5,615	2,895	1,800
UTAH	660	392	209
VERMONT	200	87	46
VIRGINIA	1,828	893	610
WASHINGTON	1,694	709	321
WEST VIRGINIA	1,085	372	227
WISCONSIN	2,213	771	443
WYOMING	408	103	57
AMERICAN SAMOA	32	10	10
GUAM	44	31	19
N. MARIANA ISLANDS	18	6	5
PUERTO RICO	2,803	766	541
TRUST TERRITORY	279	43	32
VIRGIN ISLANDS	65	31	22
INDIAN TRIBES	0	0	0
DOD ARMY/AF	66	52	21
UNDISTRIBUTED			
TOTAL	89,604	39,748	24,032

NOTE: These data are based in part on preliminary data submitted by State and Local agencies and are subject to change as revised reports are received.

SCHOOL LUNCH PROGRAM

LUNCHES SERVED
FISCAL YEAR 1985

STATE	TOTAL LUNCHES SERVED			
	PAID (000)	REDUCED PRICE (000)	FREE (000)	TOTAL (000)
ALABAMA	40,015	6,572	45,762	92,349
ALASKA	3,349	430	2,015	5,794
ARIZONA	20,736	3,039	18,949	42,724
ARKANSAS	24,026	3,376	21,919	49,321
CALIFORNIA	112,418	22,660	189,411	324,489
COLORADO	28,439	3,194	13,403	45,036
CONNECTICUT	22,226	2,317	12,210	36,753
DELAWARE	5,172	485	3,163	8,820
DISTRICT OF COLUMBIA	1,365	392	6,322	8,079
FLORIDA	86,164	11,967	72,623	170,754
GEORGIA	81,411	9,937	54,308	145,656
HAWAII	14,319	1,917	6,887	23,123
IDAHO	12,029	1,558	5,871	19,458
ILLINOIS	64,927	6,706	75,230	146,863
INDIANA	69,360	3,510	23,573	96,443
IOWA	44,083	3,478	14,059	61,620
KANSAS	31,450	3,392	10,884	45,726
KENTUCKY	40,453	5,297	33,943	79,693
LOUISIANA	52,402	7,167	53,138	112,707
MAINE	9,354	2,128	6,911	18,393
MARYLAND	31,640	3,359	21,302	56,301
MASSACHUSETTS	47,533	4,330	25,313	77,176
MICHIGAN	57,526	5,722	48,340	111,588
MINNESOTA	51,228	4,764	17,299	73,291
MISSISSIPPI	18,835	4,840	40,445	64,120
MISSOURI	51,450	5,016	30,019	86,485
MONTANA	9,282	884	4,103	14,269
NEBRASKA	20,036	2,356	7,167	29,559
NEVADA	5,717	507	2,822	9,046
NEW HAMPSHIRE	9,651	1,037	2,915	13,603
NEW JERSEY	45,288	5,185	37,323	87,796
NEW MEXICO	9,401	2,337	15,208	26,946
NEW YORK	93,209	17,115	132,299	242,623
NORTH CAROLINA	71,598	11,225	50,126	132,949
NORTH DAKOTA	10,670	923	3,273	14,866
OHIO	88,101	8,818	61,047	157,966
OKLAHOMA	33,308	4,799	20,074	58,181
OREGON	22,196	2,469	13,098	37,763
PENNSYLVANIA	99,087	9,675	58,040	166,802
RHODE ISLAND	3,905	702	4,684	9,291
SOUTH CAROLINA	36,070	5,842	36,870	78,782
SOUTH DAKOTA	8,418	1,263	5,539	15,220
TENNESSEE	52,747	5,529	38,095	96,371
TEXAS	134,638	17,426	127,941	280,005
UTAH	26,479	3,585	8,055	38,119
VERMONT	4,415	577	2,332	7,324
VIRGINIA	63,390	6,147	31,589	101,126
WASHINGTON	29,691	3,785	19,725	53,201
WEST VIRGINIA	16,425	2,327	17,006	35,758
WISCONSIN	45,958	4,425	20,883	71,266
WYOMING	6,826	559	1,770	9,155
AMERICAN SAMOA	106	0	1,406	1,512
GUAM	1,293	254	1,483	3,030
N. MARIANA ISLANDS	20	0	823	843
PUERTO RICO	4,277	6,181	69,515	79,973
TRUST TERRITORY	3	6	5,638	5,647
VIRGIN ISLANDS	573	408	2,515	3,496
INDIAN TRIBES	0	0	0	0
DOD ARMY/AF	3,116	403	223	3,742
UNDISTRIBUTED				
TOTAL	1,977,804	254,302	1,656,886	3,888,992

NOTE: These data are based in part on preliminary data submitted by State and Local agencies and are subject to change as revised reports are received.

SCHOOL BREAKFAST PROGRAM

SCHOOLS, ENROLLMENT, AND PARTICIPATION
FISCAL YEAR 1985

STATE	NUMBER OF SCHOOLS AND INSTITUTIONS	ENROLLMENT (000)	PEAK PARTICIPATION (000)
ALABAMA	854	358	103
ALASKA	77	9	3
ARIZONA	402	178	43
ARKANSAS	492	154	54
CALIFORNIA	2,601	1,391	401
COLORADO	273	119	19
CONNECTICUT	102	23	8
DELAWARE	114	50	8
DISTRICT OF COLUMBIA	185	88	15
FLORIDA	1,276	753	161
GEORGIA	830	420	155
HAWAII	217	129	21
IDAHO	53	22	3
ILLINOIS	927	526	108
INDIANA	461	226	32
IOWA	249	75	12
KANSAS	191	32	6
KENTUCKY	875	347	122
LOUISIANA	1,210	349	140
MAINE	158	40	7
MARYLAND	752	571	39
MASSACHUSETTS	601	223	46
MICHIGAN	491	230	32
MINNESOTA	227	97	15
MISSISSIPPI	552	279	131
MISSOURI	470	149	44
MONTANA	123	26	5
NEBRASKA	113	24	6
NEVADA	114	69	11
NEW HAMPSHIRE	59	14	4
NEW JERSEY	454	99	38
NEW MEXICO	311	135	29
NEW YORK	2,543	1,278	219
NORTH CAROLINA	1,687	832	190
NORTH DAKOTA	47	23	3
OHIO	1,189	524	101
OKLAHOMA	748	198	56
OREGON	164	62	16
PENNSYLVANIA	618	281	44
RHODE ISLAND	81	31	7
SOUTH CAROLINA	486	230	83
SOUTH DAKOTA	109	39	10
TENNESSEE	990	423	115
TEXAS	5,200	2,706	486
UTAH	58	16	3
VERMONT	21	6	1
VIRGINIA	680	217	66
WASHINGTON	468	184	22
WEST VIRGINIA	1,085	374	84
WISCONSIN	230	63	17
WYOMING	10	2	1
AMERICAN SAMOA	38	12	9
GUAM	35	27	7
N. MARIANA ISLANDS	18	6	3
PUERTO RICO	2,289	480	158
TRUST TERRITORY	210	25	19
VIRGIN ISLANDS	13	6	1
INDIAN TRIBES	0	0	0
DOD ARMY/AF	0	0	0
UNDISTRIBUTED			
TOTAL	34,831	15,150	3,542

NOTE: These data are based in part on preliminary data submitted by State and Local agencies and are subject to change as revised reports are received.

SCHOOL BREAKFAST PROGRAM

BREAKFASTS SERVED
FISCAL YEAR 1985

STATE	TOTAL BREAKFASTS SERVED					
	PAID (000)	REDUCED PRICE		FREE		TOTAL (000)
		REGULAR (000)	SEVERE NEED (000)	REGULAR (000)	SEVERE NEED (000)	
ALABAMA	1,140	356	294	7,281	6,781	15,812
ALASKA	63	21	11	242	166	503
ARIZONA	718	178	165	2,846	3,420	7,327
ARKANSAS	1,577	452	75	5,222	1,621	8,947
CALIFORNIA	6,153	568	2,327	11,158	52,784	72,990
COLORADO	533	48	53	1,155	1,462	3,251
CONNECTICUT	115	12	6	886	456	1,475
DELAWARE	175	11	36	293	871	1,386
DISTRICT OF COLUMBIA	104	84	0	2,213	0	2,401
FLORIDA	2,678	168	946	2,740	20,870	27,402
GEORGIA	4,153	1,470	218	14,999	4,342	25,182
HAWAII	608	225	10	2,438	55	3,336
IDAHO	110	19	4	281	165	579
ILLINOIS	845	245	0	16,245	0	17,335
INDIANA	730	77	59	2,109	1,841	4,816
IOWA	461	41	34	862	785	2,183
KANSAS	344	18	21	275	535	1,193
KENTUCKY	2,964	103	923	1,003	14,123	19,116
LOUISIANA	2,678	963	0	18,025	0	21,666
MAINE	231	59	48	450	528	1,316
MARYLAND	872	71	205	871	4,527	6,546
MASSACHUSETTS	906	168	6	5,783	851	7,714
MICHIGAN	494	17	59	647	4,874	6,091
MINNESOTA	437	55	43	1,035	1,095	2,665
MISSISSIPPI	1,360	952	24	17,120	574	20,030
MISSOURI	413	61	98	1,088	5,741	7,401
MONTANA	128	11	38	187	553	917
NEBRASKA	236	10	36	120	689	1,091
NEVADA	587	14	9	550	727	1,887
NEW HAMPSHIRE	91	5	37	57	534	724
NEW JERSEY	525	144	104	3,275	3,116	7,162
NEW MEXICO	372	211	0	4,021	0	4,604
NEW YORK	2,902	161	1,701	2,029	34,994	41,783
NORTH CAROLINA	4,693	1,252	878	13,483	11,186	31,492
NORTH DAKOTA	305	10	21	209	153	698
OHIO	1,160	31	455	352	18,755	20,753
OKLAHOMA	1,644	611	98	5,797	813	8,963
OREGON	256	64	0	273	2,133	2,726
PENNSYLVANIA	694	91	100	2,202	5,598	8,685
RHODE ISLAND	32	12	0	1,130	36	1,210
SOUTH CAROLINA	1,512	93	790	718	10,437	13,550
SOUTH DAKOTA	205	30	47	361	1,258	1,901
TENNESSEE	2,392	381	485	5,120	9,523	17,901
TEXAS	10,677	1,456	1,706	25,085	37,798	74,722
UTAH	66	2	20	50	632	770
VERMONT	57	1	7	18	68	151
VIRGINIA	1,732	597	9	7,934	458	10,730
WASHINGTON	467	45	62	963	2,599	4,136
WEST VIRGINIA	4,047	389	242	5,460	4,149	14,287
WISCONSIN	273	60	19	521	2,110	2,983
WYOMING	10	1	7	15	119	152
AMERICAN SAMOA	107	0	0	1,422	0	1,529
GUAM	290	14	65	140	670	1,179
N. MARIANA ISLANDS	13	0	0	0	519	532
PUERTO RICO	1,247	1,882	0	21,375	0	24,504
TRUST TERRITORY	2	0	3	0	3,186	3,191
VIRGIN ISLANDS	24	17	0	103	0	144
INDIAN TRIBES	0	0	0	0	0	0
DOD ARMY/AF	0	0	0	0	0	0
UNDISTRIBUTED	0	0	0	0	0	0
TOTAL	67,608	14,037	12,564	218,231	281,280	593,720

NOTE: These data are based in part on preliminary data submitted by State and Local agencies and are subject to change as revised reports are received.

SUMMER FOOD SERVICE PROGRAM

NUMBER OF SITES, PARTICIPATION AND MEALS SERVED
FISCAL YEAR 1985

STATE	SITES	PARTICIPATION (JULY) (000)	TOTAL MEALS SERVED (000)
Alabama	464	41	2,021
Alaska	2	0	2
Arizona	76	7	682
Arkansas	18	1	102
California	1,466	167	7,344
Colorado	87	15	472
Connecticut	241	20	1,118
Delaware	267	10	422
District of Columbia	35	6	187
Florida	715	62	2,879
Georgia	563	44	2,281
Hawaii	37	5	224
Idaho	8	1	52
Illinois	795	52	2,123
Indiana	221	19	1,015
Iowa	70	4	344
Kansas	43	4	208
Kentucky	258	19	828
Louisiana	181	28	2,008
Maine	14	2	201
Maryland	458	27	1,106
Massachusetts	304	22	1,389
Michigan	948	64	2,792
Minnesota	209	12	631
Mississippi	225	72	1,811
Missouri	278	14	812
Montana	28	2	147
Nebraska	34	2	142
Nevada	20	1	42
New Hampshire	35	2	159
New Jersey	682	60	3,164
New Mexico	198	13	672
New York	1,508	312	18,491
North Carolina	457	31	1,370
North Dakota	20	2	140
Ohio	405	30	1,708
Oklahoma	74	5	356
Oregon	88	6	330
Pennsylvania	1,216	84	5,607
Rhode Island	134	9	591
South Carolina	760	51	1,717
South Dakota	100	4	399
Tennessee	285	20	857
Texas	416	37	2,526
Utah	18	1	115
Vermont	5	0	31
Virginia	211	21	955
Washington	130	7	342
West Virginia	129	8	390
Wisconsin	95	8	432
Wyoming	1	0	6
American Samoa	--	--	--
Guam	--	--	--
N. Mariana Islands	--	--	--
Puerto Rico	568	47	2,231
Trust Territory	--	--	--
Virgin Islands	100	--	237
Indian Tribes	--	--	--
DOD Army/AF	--	--	--
Undistributed	--	--	--
TOTAL	15,700	1,486	76,210

NOTE: THESE DATA ARE BASED IN PART ON PRELIMINARY DATA SUBMITTED BY STATE AND LOCAL AGENCIES AND ARE SUBJECT TO CHANGE AS REVISED REPORTS ARE RECEIVED.

CHILD CARE FOOD PROGRAM
PARTICIPATION AND MEALS SERVED
FISCAL YEAR 1985

STATE	NUMBER OF CENTERS HOMES	PARTICIPATION PEAK MONTH (000)	TOTAL MEALS SERVED					
			CHILD CARE CENTERS				FAMILY DAY CARE HOMES (000)	TOTAL (000)
			PAID (000)	REDUCED PRICE (000)	FREE (000)	TOTAL (000)		
Alabama	1,787	19	874	341	6,583	7,798	5,470	13,269
Alaska	461	67	1,028	167	296	1,491	1,058	2,549
Arizona	1,660	22	3,176	1,014	4,534	8,725	3,932	12,656
Arkansas	473	9	798	270	3,05[illegible]	4,120	1,192	5,312
California	10,573	122	8,675	6,320	19,835	34,829	33,939	68,668
Colorado	4,054	26	2,113	503	2,135	4,751	12,048	16,799
Connecticut	1,635	13	1,116	808	1,979	3,904	2,957	6,861
Delaware	347	4	538	144	1,007	1,689	905	2,594
District of Columbia	226	5	999	450	1,340	2,789	282	3,070
Florida	1,547	41	2,623	1,363	16,025	20,011	2,271	22,282
Georgia	2,571	31	1,166	661	8,146	9,974	7,992	17,966
Hawaii	287	6	1,807	317	773	2,897	456	3,352
Idaho	4[illegible]	3	187	36	269	492	1,670	2,161
Illinois	3,867	47	5,166	1,937	10,356	17,459	12,001	29,460
Indiana	800	28	2,971	686	4,046	7,703	2,452	10,155
Iowa	1,378	22	1,901	294	1,470	3,665	3,608	7,273
Kansas	1,726	17	2,309	349	1,191	3,849	5,671	9,520
Kentucky	462	15	2,837	525	3,928	7,290	441	7,731
Louisiana	5,968	36	858	461	6,409	7,728	13,474	21,203
Maine	708	7	422	179	793	1,394	2,429	3,824
Maryland	2,405	16	1,839	468	1,955	4,262	6,339	10,600
Massachusetts	4,395	35	2,572	1,253	7,011	10,836	10,431	21,266
Michigan	4,274	36	3,820	903	6,008	10,731	11,576	22,307
Minnesota	6,573	37	2,356	430	1,592	4,378	20,767	25,146
Mississippi	1,012	32	768	640	13,232	14,640	1,903	16,543
Missouri	1,282	19	2,093	721	4,996	7,810	4,538	12,348
Montana	569	6	495	182	784	1,460	1,738	3,198
Nebraska	1,332	7	888	144	819	1,851	4,837	6,688
Nevada	62	2	471	169	405	1,045	95	1,140
New Hampshire	295	4	780	182	494	1,456	877	2,333
New Jersey	954	38	2,946	2,129	9,275	14,349	1,302	15,651
New Mexico	1,603	15	1,297	392	1,992	3,682	4,184	7,865
New York	3,865	82	4,403	3,405	30,896	38,705	5,798	44,503
North Carolina	1,005	31	4,725	1,503	8,685	14,913	845	15,758
North Dakota	1,404	10	505	118	376	999	4,386	5,385
Ohio	2,941	39	5,496	1,297	7,351	14,144	5,910	20,054
Oklahoma	986	18	2,700	480	4,032	7,213	2,089	9,302
Oregon	1,546	12	1,426	342	1,230	2,998	3,725	6,722
Pennsylvania	2,960	39	4,082	2,642	9,546	16,270	5,393	21,664
Rhode Island	226	4	392	170	862	1,424	415	1,839
South Carolina	368	14	561	279	4,386	5,225	502	5,727
South Dakota	190	4	685	175	808	1,668	985	2,653
Tennessee	755	17	1,406	661	5,463	7,530	1,789	9,319
Texas	3,142	52	3,769	1,550	16,466	21,785	9,876	31,660
Utah	1,283	16	1,829	394	1,708	3,931	4,336	8,267
Vermont	208	2	213	69	271	553	683	1,236
Virginia	1,809	15	2,323	710	2,768	5,801	4,586	10,387
Washington	4,340	30	2,867	569	2,593	6,029	13,759	19,788
West Virginia	843	6	1,222	158	1,200	2,581	1,519	4,099
Wisconsin	1,660	19	3,045	457	2,267	5,769	3,572	9,341
Wyoming	342	5	902	173	390	1,464	1,039	2,504
American Samoa	0	0	0	0	0	0	0	0
Guam	1	0	50	2	1	53	0	53
N. Mariana Islands	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	0
Trust Territory	0	0	0	0	0	0	0	0
Virgin Islands	35	1	46	22	333	401	0	401
Indian Tribes	0	0	0	0	0	0	0	0
DOD Army/AF	0	0	0	0	0	0	0	0
Undistributed	0	0	0	0	0	0	0	0
TOTAL	95,600	1,205	104,534	39,616	244,362	388,512	253,941	642,453

NOTE: THESE DATA ARE BASED IN PART ON PRELIMINARY DATA SUBMITTED BY STATE AND LOCAL AGENCIES AND ARE SUBJECT TO CHANGE AS REVISED REPORTS ARE RECEIVED.

CHILD NUTRITION PROGRAMS

Quantity and Value of Commodities
Fiscal Year 1985

Commodity	Pounds (000)	Dollars (000)
Section 32 - type:		
Apples, fresh	7,432	1,511
Applesauce, canned	45,211	11,4[illegible]
Beans, dry	3,931	896
Beans, dry canned	12,134	2,414
Beans, canned green	21,581	5,508
Beans, frozen green	1,002	317
Beans, canned vegetarian	24,815	5,438
Beef, canned w/nj	4,396	5,938
Beef patties	33,261	34,833
Beef, frozen ground	117,568	117,426
Blueberries, frozen	5,263	3,799
Corn, canned	23,333	6,001
Corn, frozen	3,760	1,253
Cherries, red frozen	12,491	6,862
Chicken, frozen	73,824	44,408
Chicken, frozen patties	14,941	19,440
Peaches, canned	24,722	10,322
Pears, Bosc fresh	118	26
Pears, canned	29,399	12,233
Pears, D'anjou fresh	4,726	1,121
Pork, canned w/nj	7,107	7,919
Potato rounds	11,406	3,495
Salmon, pink canned	2,172	3,325
Sweetpotatoes, mashed	436	120
Sweetpotatoes, syrup	9,845	3,512
Tuna, canned	5,004	6,359
Turkey roasts	10,728	16,719
Turkeys	13,347	10,393
Tomatoes, canned	23,857	7,535
Tomato Paste, canned	34,735	14,719
Vegetables, frozen mixed	17,706	6,316
Total	600,251	371,585
Section 416 - type:		
Bulgar	191	26
Cornmeal	6,203	952
Flour	174,054	22,723
Grits	168	22
Macaroni	6,755	1,513
Oats, rolled	5,274	1,014
Oil, soybean	6,259	2,559
Oil, vegetable	32,316	18,683
Peanut butter	11,020	8,883
Peanuts, granules and	0	0
roasted	3,394	3,212
Rice, brown	201	36
Shortening	19,835	11,320
Spaghetti	7,285	1,747
Wheat, rolled	369	45
Total	273,324	72,734
Bonus commodities		
Section 32 - type:		
Almonds, roasted	892	927
Almonds, natural	892	671
Beef roasts	3,570	5,222
Egg mix	2,122	3,596
Grape juice	6,428	1,688
Pears, D'anjou, fresh	321	81
Pork	5,560	6,848
Prunes, dried	2,602	1,796
Figs, paste	159	70
Figs, dried	103	60
Fig nuggets	4,654	3,933
Raisins	6,709	3,599
Walnuts	1,177	2,108
Total	35,188	30,598

Commodity	Pounds (000)	Dollars ($000)
Section 416 - type:		
Butter	79,043	117,464
Butter oil	324	551
Cheese, cheddar	30,313	41,209
Cheese, mozzarella	30,544	40,210
Cheese, processed	79,224	111,268
Honey	6,957	5,431
Milk, nonfat dry	25,250	23,626
Rice, milled	21,903	3,783
Total	273,558	343,542
Cash-in-lieu		30,852
GRAND TOTAL	1,182,321	849,311

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Special Milk Program:

For necessary expenses, from funds appropriated to carry out the
special milk program, as authorized by section 3 of the Child Nutrition
Act of 1966 (42 U.S.C. 1772), [$11,500,000, to remain available
1 through September 30, 1987: Provided, That] but not obligated at the
beginning of fiscal year 1987, only final reimbursement claims for milk
submitted to State agencies within sixty days following the month for
which the reimbursement is claimed shall be eligible for reimbursement
from funds appropriated under this Act. States may receive program funds
appropriated under this Act only if the final program operations report
for such month is submitted to the Department within ninety days
following that month. Exceptions to these claims or reports submission
requirements may be made at the discretion of the Secretary: Provided
2 further, That funds available under this heading shall not be available
for program costs incurred by the Marshall Islands and the Federated
States of Micronesia: Provided further, That funds available under this
3 heading shall not be available for payment of program costs incurred by
schools and institutions in States that choose not to administer the
program for those schools and institutions, but whose current laws do not
prohibit such States from doing so, and instead shall be distributed by
the Department through private sector contracts: Provided further, That
4 funds available under this heading shall not be available to reimburse
claims for milk served to individuals from households with incomes
exceeding 130 percent of the poverty level.

The first change clarifies that unobligated funds from the appropriation for Fiscal Year 1986 will be sufficient to operate the Special Milk Program in Fiscal Year 1987.

The second change eliminates authorization for payments to the former Trust Territories consistent with the ratification of the Compact of Free Association.

The third change requires the distribution of funds by private sector contracts directly to schools and institutions in States that choose not to administer programs but do not have laws that prohibit administration of the programs funded by this account. Those States that have laws that prohibit the administration of such programs will continue to be administered directly by the Department.

The fourth change limits Federal payments for milk to that served to children from households with incomes at or below 130 percent of poverty.

SPECIAL MILK PROGRAM - CURRENT LAW

Appropriation Act, 1986	$11,500,000
Budget Estimate, 1987	14,869,000
Increase in Appropriation	+3,369,000

SPECIAL MILK PROGRAM - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1987	$14,869,000
Change due to Proposed Legislation	-14,869,000
Net request, President's 1987 Budget Request	0

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Cash payments to States	$11,500,000	+$3,369,000	$14,869,000

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

Project	1985 Actual	1986 Estimated	Increase	1987 Estimated
1. Cash payments to States:				
(a) Paid milk	$ 16,451,442	$ 10,511,000	+ $3,079,266	$ 13,590,266
(b) Free milk	1,148,558	989,000	+289,734	1,278,734
Total, appropriation	17,600,000	11,500,000	+3,369,000	14,869,000
Proposed legislation				-14,869,000
President's Budget				0 a/

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Cash payments to States:				
(a) Paid milk	$ 14,496,389	$ 15,161,401	- $301,551	$ 14,859,850
(b) Free milk	1,012,066	1,429,615	-36,465	1,393,150
Total, obligations	15,508,455	a/ 16,591,016	-338,016	16,253,000
Unobligated balances:				
Available, start of year	-4,383,471	-6,475,016	+5,091,016	-1,384,000
Available, end of year	6,475,016	+1,384,000	-1,384,000	--
Total, appropriation	17,600,000	11,500,000	+3,369,000	14,869,000
Proposed legislation				-14,869,000
President's Budget				0 a/

a/ Legislation has been proposed which would reduce obligations in Fiscal Year 1986 by $3,515,000 and increase the Fiscal Year 1986 unobligated funds available for Fiscal Year 1987 to $4,899,000.

EXPLANATION OF PROGRAM

The Special Milk Program is authorized by Section 3 of the Child Nutrition Act of 1966, as amended. It subsidizes the consumption of milk by children in non-profit schools of high school grade or under, summer camps, and similar institutions that do not participate in another meal service program authorized by the Child Nutrition Act or the National School Lunch Act.

In Fiscal Year 1986 approximately 170 million halfpints will be served in the Special Milk Program. These include about 160.7 million halfpints served to children whose family income is above 130 percent of poverty and about 9.3 million halfpints served free to children whose family income is at or below 130 percent of poverty. During Fiscal Year 1986, the average full cost reimbursement for milk served to needy children is expected to be 15.29 cents for each halfpint. Milk served to non-needy children is expected to be reimbursed at 9.44 cents for each halfpint.

JUSTIFICATION OF INCREASES AND DECREASES - CURRENT LAW

(1) Under current law an increase of $3,369,000 in the appropriation for the Special Milk Program. ($11,500,000 appropriated in Fiscal Year 1986). (Based on available funds there is a decrease of $338,016).

Need for Change. Funds available from Fiscal Year 1986 are expected to be $1,384,000. Therefore, $14,869,000 will be needed to fully fund the projected 170 million halfpints of milk to be served in Fiscal Year 1987.

Nature of Change. The total number of halfpints of milk to be served in Fiscal Year 1987 is expected to remain at the Fiscal Year 1986 level of 170 million. The decrease in obligations of $338,016 from Fiscal Year 1986 to Fiscal Year 1987 is due to the projected decrease in the cost of milk.

SPECIAL MILK PROGRAM

SUMMARY OF PROPOSED LEGISLATION

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1987		
	Current Law	Program Change	President's Request
Special Milk Program:			
1987 Budget Authority	$14,869,000	-$14,869,000	-0-
1986 Unobligated funds	1,384,000	+3,515,000	$4,899,000
Total Available	16,253,000	-11,354,000	4,899,000
Total Obligations	16,253,000	-14,859,850	1,393,150

Explanation of Proposed Legislation

Proposed legislation to take effect on July 1, 1986 for the Special Milk Program eliminates subsidies to children from families above 130 percent of poverty. Free milk would continue to be made available to children from families at or below 130 percent of poverty. Additional unobligated funds from Fiscal Year 1986 of $3,515,000 resulting from this proposal, will be used to fund the program in Fiscal Year 1987.

SPECIAL MILK PROGRAM

STATUS OF PROGRAM

The Special Milk Program, as authorized by section 3 of the Child Nutrition Act of 1966, helps schools and institutions provide milk to children at a low price or free of charge in order to encourage children to drink more milk. From its inception in 1955 through 1962, the program was financed from Commodity Credit Corporation funds. The Agriculture Act of 1961 authorized the first direct appropriation for the program and in 1970 section 3 of the Child Nutrition Act of 1966 permanently authorized the program. Public Law 93-150, enacted in 1973, provided that children meeting income eligibility standards could receive free milk. P.L. 93-347, enacted in 1974, established a minimum reimbursement rate per halfpint of milk, adjusted annually.

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), enacted August 13, 1981, limited participation in the Special Milk Program to those schools or institutions which do not participate in a meal service program authorized by the National School Lunch or Child Nutrition Acts and set eligibility for free milk at 130 percent of poverty. In addition, private schools whose average yearly tuition exceeds $1,500 per child are no longer eligible to participate in the Special Milk Program.

Program Operations. The program is administered in most States by the State educational agency. Where the States are prohibited by their laws from disbursing funds to private schools and institutions, or in instances where State agencies are unwilling to operate the program, the Food and Nutrition Service (FNS) administers the program directly through its regional offices. However, pursuant to P.L. 97-35, no State which administered the Special Milk Program for private schools and institutions in October 1980 may turn over administration of the program to FNS. During the period from October 1 through July 1, 1985, FNS directly administered the Special Milk Program in 14 States. On July 1, 1985, the State of Alabama assumed administration of its program. FNS remained responsible for the administration of the program in 13 States.

Program funds are made available to State agencies for use in providing reimbursement payments to eligible outlets for milk served to children under the program. Participating schools and institutions that charge for any milk served under the program must agree to use the reimbursement payments to reduce the cost of milk to the children. When local officials elect to serve free milk, the halfpint reimbursement rate for such milk is based on the average cost of all milk served in the eligible outlet under the program including local-level distribution costs. All other milk served under the program is reimbursed at the per halfpint rate established annually by the Secretary. States also receive funds to offset the costs of administering the Special Milk Program from the Child Nutrition Programs appropriation..

Reimbursement Rates. For the period July 1, 1984 to June 30, 1985, the reimbursement rate for milk served to non-needy children was 9.25 cents per halfpint. The average cost of milk in eligible outlets serving free milk to needy children, including local-level distribution costs, during Fiscal Year 1985 was about 15 cents per halfpint, the same as it was in Fiscal Year 1984 and is estimated to be in Fiscal Year 1986.

Current Activities. During Fiscal Year 1985, the total number of halfpints served was 167 million.

	Fiscal Year 1985	Fiscal Year 1986
Halfpints served (millions)		
Paid	160	161
Free	7	9
Total	167	[illegible]

SPECIAL MILK PROGRAM

HALF-PINTS OF MILK SERVED
FISCAL YEAR 1985

STATE	AVERAGE SERVED DAILY FREE (000)	 PAID (000)	 TOTAL (000)	TOTAL SERVED FY 85 FREE (000)	 PAID (000)	 TOTAL (000)
ALABAMA	0	1	1	3	413	416
ALASKA	0	1	1	25	200	225
ARIZONA	0	14	14	42	2,908	2,950
ARKANSAS	0	1	1	41	199	240
CALIFORNIA	3	47	50	593	11,402	11,995
COLORADO	0	4	4	14	990	1,004
CONNECTICUT	3	24	27	388	4,737	5,125
DELAWARE	0	2	2	12	347	359
DISTRICT OF COLUMBIA	0	1	1	0	214	214
FLORIDA	0	6	6	5	1,295	1,300
GEORGIA	0	1	1	137	433	570
HAWAII	0	0	0	8	108	116
IDAHO	0	4	4	46	829	875
ILLINOIS	3	141	144	546	25,418	25,964
INDIANA	0	9	9	54	2,358	2,411
IOWA	0	4	4	28	1,500	1,528
KANSAS	0	5	5	23	957	980
KENTUCKY	0	5	5	34	1,144	1,177
LOUISIANA	0	4	4	0	1,005	1,005
MAINE	0	2	2	46	703	749
MARYLAND	0	15	15	21	3,300	3,320
MASSACHUSETTS	2	18	20	297	4,166	4,463
MICHIGAN	2	48	50	467	10,315	10,782
MINNESOTA	1	17	18	220	5,628	5,848
MISSISSIPPI	0	0	0	0	144	144
MISSOURI	0	17	17	72	3,507	3,579
MONTANA	1	3	4	102	495	597
NEBRASKA	0	5	5	83	953	1,036
NEVADA	0	1	1	7	211	218
NEW HAMPSHIRE	0	8	8	34	2,431	2,465
NEW JERSEY	1	50	51	162	9,305	9,466
NEW MEXICO	0	1	1	5	314	319
NEW YORK	6	98	104	1,038	18,252	19,290
NORTH CAROLINA	0	3	3	7	954	961
NORTH DAKOTA	0	0	0	20	143	163
OHIO	3	52	55	565	11,416	11,982
OKLAHOMA	0	1	1	0	174	174
OREGON	1	8	9	168	1,543	1,711
PENNSYLVANIA	3	22	25	542	5,439	5,981
RHODE ISLAND	0	3	3	47	861	908
SOUTH CAROLINA	0	1	1	12	355	367
SOUTH DAKOTA	0	1	1	41	351	392
TENNESSEE	0	1	1	98	294	392
TEXAS	0	4	4	22	1,282	1,304
UTAH	0	1	1	1	257	258
VERMONT	1	8	9	161	1,702	1,863
VIRGINIA	0	7	7	10	1,457	1,467
WASHINGTON	1	14	15	157	2,974	3,131
WEST VIRGINIA	0	1	1	243	100	343
WISCONSIN	3	73	76	427	14,298	14,726
WYOMING	0	1	1	62	192	253
AMERICAN SAMOA	0	0	0	0	0	0
GUAM	0	0	0	0	0	0
N. MARIANA ISLANDS	0	0	0	0	0	0
PUERTO RICO	0	0	0	0	0	0
TRUST TERRITORY	0	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	47	18	65
INDIAN TRIBES	0	0	0	0	0	0
DOD ARMY/AF	0	0	0	0	0	0
UNCLAIMED HALF-PINTS SERVED	--	--	--	--	--	--
TOTAL	34	758	792	7,179	159,991	167,170

NOTE: These data are based in part on preliminary data submitted by State and Local agencies and are subject to change as revised reports are received.

SPECIAL MILK PROGRAM

NUMBER OF PARTICIPATING OUTLETS AND OBLIGATIONS BY STATE
FISCAL YEAR 1985

STATE	O U T L E T S				OBLIGATIONS ($1000)
	SCHOOLS	NON-RESIDENTIAL CHILD CARE INSTITUTIONS	SUMMER CAMPS	TOTAL	
ALABAMA	11	6	16	33	40
ALASKA	16	0	1	17	23
ARIZONA	72	1	40	113	272
ARKANSAS	9	0	10	19	28
CALIFORNIA	763	17	211	991	1,160
COLORADO	39	0	34	73	94
CONNECTICUT	202	6	37	245	500
DELAWARE	1	0	0	1	33
DISTRICT OF COLUMBIA	10	0	0	10	20
FLORIDA	47	0	32	79	122
GEORGIA	9	2	21	32	59
HAWAII	6	0	4	10	12
IDAHO	28	0	39	67	78
ILLINOIS	740	15	66	821	2,376
INDIANA	72	0	95	167	228
IOWA	46	22	81	149	143
KANSAS	33	0	13	46	88
KENTUCKY	46	6	17	69	113
LOUISIANA	2	2	12	16	94
MAINE	25	0	41	66	72
MARYLAND	1	0	31	32	330
MASSACHUSETTS	114	51	119	284	302
MICHIGAN	384	0	155	539	743
MINNESOTA	140	50	144	334	390
MISSISSIPPI	2	0	11	13	13
MISSOURI	113	0	49	162	335
MONTANA	49	0	9	58	59
NEBRASKA	88	0	25	113	100
NEVADA	9	7	6	22	22
NEW HAMPSHIRE	44	9	75	128	235
NEW JERSEY	434	0	45	479	858
NEW MEXICO	13	0	10	23	30
NEW YORK	687	0	206	893	1,742
NORTH CAROLINA	20	0	35	55	85
NORTH DAKOTA	3	0	50	53	16
OHIO	356	1	0	357	1,136
OKLAHOMA	5	1	0	6	15
OREGON	198	0	25	223	153
PENNSYLVANIA	202	15	170	387	631
RHODE ISLAND	28	0	23	51	87
SOUTH CAROLINA	7	2	12	21	36
SOUTH DAKOTA	16	0	5	21	39
TENNESSEE	4	3	23	30	40
TEXAS	36	6	39	81	121
UTAH	12	0	2	14	24
VERMONT	53	0	24	77	165
VIRGINIA	28	0	28	56	137
WASHINGTON	123	0	54	177	300
WEST VIRGINIA	33	0	129	162	28
WISCONSIN	278	86	201	565	1,374
WYOMING	6	0	12	18	23
AMERICAN SAMOA	0	0	0	0	0
GUAM	0	0	0	0	0
N. MARIANA ISLANDS	0	0	0	0	0
PUERTO RICO	0	0	0	0	0
TRUST TERRITORY	0	0	0	0	0
VIRGIN ISLANDS	2	0	0	2	6
INDIAN TRIBES	0	0	0	0	0
DOD ARMY/AF	0	0	0	0	0
ADJUSTMENT	--	--	--	--	379
TOTAL	5,665	308	2,487	8,460	15,508

NOTE: These data are based in part on preliminary data submitted by State and Local agencies and are subject to change as revised reports are received.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Feeding Program for Women, Infants and Children (WIC)] Special Supplemental Food Program for Women, Infants and Children (WIC):

For necessary expenses to carry out the special supplemental food
program as authorized by section 17 of the Child Nutrition Act of 1966
1 (42 U.S.C. 1786), [$1,570,000,000: Provided, That funds provided herein
shall remain available through September 30, 1987] $1,617,000,000 to
remain available through September 30, 1988.

This change inserts the Fiscal Year 1987 appropriations request and updates the two year availability of funds for obligation.

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)

Appropriation Act, 1986		$1,570,000,000
Budget Estimate, 1987		1,617,000,000
Increase in Appropriation		+47,000,000
Adjustments in 1986:		
Appropriation Act, 1986	$1,570,000,000	
Less Pro-Rata Reduction, P.L. 99-190	-9,420,000	
Net Appropriations	$1,560,580,000	
Adjusted base for 1986		$1,560,580,000
Budget Estimates, 1987		1,617,000,000
Increase over adjusted, 1986		+56,420,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Special Supplemental Food Program (WIC)...	$1,560,580,000	+$56,420,000	$1,617,000,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food	$1,198,400,000	$1,246,078,400	+$45,921,600	$1,292,000,000
(b) Grants to States for administration	299,600,000	311,519,600	+11,480,400	323,000,000
(c) Program evaluation projects	2,000,000	2,982,000	-982,000	2,000,000
Total, Appropriation	1,500,000,000	1,560,580,000	56,420,000(1)	1,617,000,000

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food	$1,202,035,431	$1,246,376,000	+$45,624,000	$1,292,000,000
(b) Grants to States for administration	300,508,857	311,594,000	+11,406,000	323,000,000
(c) Program evaluation projects	1,687,506	b/ 2,390,000	-390,000	2,000,000
(d) Unspent funds available to States	22,591,400	30,000,000	-30,000,000	--
Total, obligations	1,526,823,194	1,590,360,000	+26,640,000(1)	1,617,000,000
Recovery of prior year obligations	-4,430,454	--	--	--
Unobligated balances:	a/	c/		
Available, start of year	-23,765,067	-30,372,327	30,152,327	-220,000
Available, end of year	372,327	220,000	-220,000	--
Unobligated balance lapsing	1,000,000	b/ 372,327	-152,327	b/ 220,000
Total, Appropriation	1,500,000,000	1,560,580,000	56,420,000	1,617,000,000

a/ Includes unspent funds of $22,591,400 available to the States in Fiscal Year 1985 and unobligated carryover of $173,667.

b/ Reflects consultant services savings mandated by Section 515 of the Conference version of the Treasury, Postal Service, and General Government Appropriations Act for 1986 which was included by reference in the full year Continuing Resolution for 1986, P.L. 99-190.

c/ Includes $30,000,000 available to the States but unspent in Fiscal Year 1985.

EXPLANATION OF PROGRAM

The Special Supplemental Food Program (WIC) is authorized by section 17 of the Child Nutrition Act of 1966, as amended. Public Law 96-499, enacted on December 5, 1980, extended the program authorization through September 30, 1984. The authorization was extended by the Continuing Resolution for Fiscal Year 1986, Public Law 99-190. Funds are made available to local health clinics through State departments of health and to Indian groups to provide supplemental foods to low-income pregnant, postpartum and breastfeeding women, infants, and young children up to 5 years of age who are determined by competent professionals (physicians, nutritionists, nurses and other health officials) to be at nutritional risk. In Fiscal Year 1986 the program funds are expected to support an average monthly participation of 3 million participants at an average cost of $41.13 per person per month.

The WIC Program food packages are designed to provide foods which studies have demonstrated are lacking in the diets of the WIC Program target population. The authorized supplemental foods are iron-fortified infant formula, infant cereal, milk, cheese, eggs, iron-fortified breakfast cereal, fruit or vegetable juice which contains vitamin C, dry beans and peas, and peanut butter.

There are three general types of delivery systems for WIC foods: (1) retail purchase in which participants obtain supplemental foods through retail stores; (2) home delivery systems in which food is delivered to the participant's home; and (3) direct distribution systems in which participants pick up food from a distribution outlet. The food is free of charge to all participants.

Twenty percent of the total available funds (except for funds appropriated for program evaluation) are allocated among the States for administrative costs associated with the WIC Program. These costs include certifying participant eligibility, food delivery and warehousing, monitoring, nutrition education, financial management, clinic operations and administration by the State agency. Not less than one-sixth of these administrative funds must be used for nutrition education activities.

Public Law 95-627 requires one-half of one percent of program funds, not to exceed $3 million, to be made available for evaluation of program performance.

The following GAO report was received in Fiscal Year 1985.

GAO Reports	Date	Title
RCED-85-105	9-27-85	Need to Foster Optimal Use of Resources in the Special Supplemental Food Program for Women, Infants, and Children (WIC)

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $56,420,000 in the appropriation for the Special Supplemental Food Program (WIC). On the basis of available funds of $1,590,360,000 in Fiscal Year 1986 there is an increase of $26,640,000.

Need for Change. Based on recent economic projections an increase of $26.6 million between Fiscal Year 1986 and Fiscal Year 1987 is needed to fund anticipated increases in the food costs, and to support an average monthly participation of about 3 million.

Nature of Change. This increase is the result of the increase of the average cost per person from Fiscal Year 1986 to 1987, $41.13 to $42.98, respectively.

	1986 Estimate	1987 Estimate	Change
Average Participation per month (in millions)..........................	3	3	--
Program Level ($ in millions):			
Food costs	$1,270.4	$1,292.0	+$21.6
State and local administrative costs	317.6	323.0	+5.4
Program evaluation projects	2.4	2.0	-.4
Total..................................	1,590.4 a/	1,617.0	+26.6
Average cost per person per month	$41.13	$42.98 b/	+$1.85

a/ Includes $30,000,000 in Fiscal Year 1985 funds which are available to the States for use in Fiscal Year 1986.

b/ Costs per person are projected to increase as States target benefits to high risk participants.

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)

STATUS OF PROGRAM

The Special Supplemental Food Program for Women, Infants and Children (WIC)

The WIC Program provides nutritious supplemental foods to low-income pregnant, postpartum, and breastfeeding women, and to infants and children up to their fifth birthday who are determined by competent professionals (physicians, nutritionists, nurses, and other health officials) to be at "nutritional risk."

The Food and Nutrition Service makes funds available to participating State agencies who in turn distribute the funds to participating local agencies. Participating State agencies may be State health departments or Indian tribes which are recognized by either the Department of Health and Human Services' Indian Health Service or by the Department of the Interior. State and local agencies use WIC funds to pay the costs of specified supplemental foods provided to WIC participants, and to pay specified administrative costs, including the cost of nutrition education.

Legislative Authorization

Public Law 92-433, approved September 26, 1972, added a new section 17 to the Child Nutrition Act of 1966. This section established the Special Supplemental Food Program for Women, Infants and Children (WIC) as a two-year pilot program, authorized for Fiscal Years 1973 and 1974.

Public Law 93-150, approved November 7, 1973, authorized the continuation of this program through Fiscal Year 1975, and also authorized the granting of funds to Indian Groups recognized by the Department of Health and Human Services' Indian Health Service and the Department of the Interior. Public Law 94-105, enacted October 7, 1975, revised and extended the WIC Program through Fiscal Year 1978. The Child Nutrition Amendments of 1978 (P.L. 95-627), approved November 10, 1978, further revised and extended the WIC Program, and authorized the program through Fiscal Year 1982. The Omnibus Budget Reconciliation Act of 1980 (P.L. 96-499) extended the WIC Program authorization through Fiscal Year 1984 and the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) reduced the income eligibility criteria for WIC participants and authorized maximum funding levels for Fiscal Years 1982, 1983 and 1984. Program authorization was extended through September 30, 1986, by the 1986 Continuing Resolution for Appropriations, P.L. 99-190, approved December 19, 1985.

Program Participation and Costs

An average of 3,138,534 persons participated each month in Fiscal Year 1985. These data exclude participants supported by non-Federal funds.

The monthly costs of the food package varied among the individual States, with an average monthly cost of $31.81 nationwide. In addition to food costs, 20 percent of the total costs was available for State administrative costs. In Fiscal Year 1985, these costs averaged $7.79 per person per month for a total monthly cost per person of $39.60. The total cost of the WIC Program in Fiscal Year 1985, including $22.6 million unspent from Fiscal Year 1984 and the cost of program evaluation projects, was $1,526.8 million.

WIC Food Packages

Public Law 94-105 specified that the WIC Program provide foods containing protein, iron, calcium, vitamin A and vitamin C.

Public Law 95-627, signed November 10, 1978, deleted a requirement for specified nutrients and gave the Secretary of Agriculture the authority to prescribe foods for the WIC food packages that nutritional research indicated were lacking in the diets of the WIC target population. Accordingly, on November 12, 1980, the Department revised the types and quantities of supplemental foods to be provided by the WIC Program. To better meet the differing health and nutritional needs of women, infants and children, there are now six tailored food packages. The food packages include supplemental foods such as iron-fortified infant formula, infant cereal, milk, cheese, eggs, iron-fortified breakfast cereal, fruit or vegetable juice and beans or peanut butter. These revisions are reflected in WIC food packages implemented by State agencies on January 1, 1983.

Allocation of Fiscal Year 1985 Food and Administrative Grants

Each State agency's Fiscal Year 1985 stability WIC food grant was calculated by annualizing its Fiscal Year 1984 fourth quarter food grant plus an allowance for inflation. For stability administrative grants, each State agency was guaranteed a minimum grant which was the lesser of (1) 21 percent of its stability food grant; or (2) its Fiscal Year 1984 administrative-to-food ratio. State agencies could receive funds above the minimum administrative grant by justifying high priority funding needs to the FNS Regional Offices. Funds remaining after stability food grants were satisfied were awarded through a growth formula to States serving a lesser portion of their eligible populations. During June 1985, approximately $34 million was allocated through the growth formula to growth State agencies.

Benefit Targeting

During Fiscal Year 1985, a data collection form was developed to capture participant nutritional risk priority level data. Beginning in Fiscal Year 1986, State agencies will be reporting information via this form twice per year. This data will provide information on the results of State agency targeting efforts.

In Fiscal Year 1985, FNS worked on several initiatives aimed at preventing losses of WIC funds through fraud, waste and abuse. Two of the initiatives focused on savings that will be realized as a result of improvements in food delivery systems. First, a contract for development of a small State agency automated management information system was awarded in Fiscal Year 1984. During Fiscal Year 1985, a feasibility study of the Small State Agency Model (Small SAM) Project was completed. The feasibility study confirmed the cost effectiveness of a microcomputer-based management information system for small WIC State agencies. Actual design of the model was initiated. This project is expected to provide an alternative to small State agencies which manually collect data for reporting purposes as well as other management needs. Secondly, FNS completed development of a self-evaluation guide for State agency use in simplifying and streamlining management information systems. The guide was disseminated to all WIC State agencies. It assists States in assessing their current automated management information system and making cost-efficient improvements. Training on the use of the guide took place in Fiscal Year 1985. A third initiative, designed specifically to help States systematically identify high risk vendors and target monitoring reviews to those vendors, was completed in Fiscal Year 1985. The Applied Research on Vendor Abuse Project developed a high risk vendor screening system. The project included development of a Technical Assistance Guide for WIC State agencies to assist them in implementing the model high risk system in their State.

In accordance with WIC regulations, State agencies are required to report annually to FNS on vendor monitoring practices and results. Data from the second such report were analyzed during Fiscal Year 1985. Results indicate that State agencies are taking action against abusive vendors by assessing claims for overcharges on WIC food instruments when warranted. FNS will provide States with the technical assistance to further improve vendor monitoring systems in order that they can more effectively combat program abuse.

WIC Program Research

Of the continuing research in Fiscal Year 1985, two studies are particularly important. The National WIC Evaluation examined the impact of the program on participants, community health and food expenditures. This study was released in January 1986. While the study's findings were mixed, it indicated some modest positive effects from program participation. The WIC Participant and Program Characteristics Study examines the characteristics of State and local agencies and participants and will be completed in Fiscal Year 1986.

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)
PARTICIPATION AND PROGRAM FINANCING

FISCAL YEAR 1985

STATE	NUMBER OF CLINICS PROVIDING BENEFITS	PARTICIPATION 2/				PROGRAM FINANCING ($000)
		WOMEN	INFANTS	CHILDREN	TOTAL	
Alabama	126	13,969	20,683	34,305	68,958	$ 31,367
Alaska 1/	18	1,169	1,197	1,923	4,289	3,019
Arizona 1/	144	12,930	12,357	23,365	48,652	27,085
Arkansas	100	5,885	9,097	18,038	33,020	19,198
California	523	78,671	83,915	75,595	238,182	129,497
Colorado 1/	73	7,180	6,018	18,708	31,908	15,315
Connecticut	97	7,706	9,036	29,059	45,802	23,323
Delaware	21	1,084	1,917	3,480	6,482	3,196
District of Columbia	16	2,113	3,102	5,352	10,568	5,231
Florida 1/	237	24,250	31,313	40,092	95,656	46,873
Georgia	250	22,636	29,659	53,642	105,938	50,984
Hawaii	14	1,798	1,909	2,916	6,624	4,773
Idaho	57	2,700	3,295	8,360	14,356	7,649
Illinois	211	24,681	46,998	56,796	128,476	58,432
Indiana	106	13,180	13,663	34,938	61,783	26,658
Iowa	142	4,980	7,593	19,440	32,014	14,038
Kansas	104	4,290	7,174	12,485	23,950	12,049
Kentucky	146	12,556	17,436	32,813	62,806	32,305
Louisiana	117	21,735	26,246	42,399	90,381	46,656
Maine 1/	96	3,839	3,641	10,959	18,440	8,448
Maryland	260	7,711	12,508	25,140	45,359	19,708
Massachusetts	92	8,777	11,711	33,576	54,066	25,170
Michigan	197	22,835	32,465	66,628	121,929	56,093
Minnesota	217	8,485	11,373	35,089	54,948	23,828
Mississippi 1/	146	16,635	24,025	47,695	88,356	32,460
Missouri	224	11,792	18,768	28,639	59,199	30,575
Montana	75	2,290	2,656	7,001	11,948	5,767
Nebraska 1/	92	4,188	4,280	9,269	17,738	8,445
Nevada 1/	40	2,716	2,920	6,679	12,315	6,085
New Hampshire	120	2,568	2,739	8,007	13,315	6,440
New Jersey	291	11,777	17,666	34,803	64,247	30,737
New Mexico 1/	88	7,152	7,582	8,235	22,971	12,362
New York 1/	487	39,328	68,419	140,455	248,203	128,946
North Carolina 1/	190	20,307	26,720	53,138	100,165	47,802
North Dakota 1/	94	2,054	2,952	7,044	12,051	6,107
Ohio	199	30,759	43,101	91,811	165,672	67,251
Oklahoma 1/	144	9,605	14,215	21,817	45,638	24,575
Oregon	103	9,861	7,709	12,160	29,731	14,783
Pennsylvania	302	27,037	34,645	87,039	148,722	54,964
Rhode Island	25	2,600	3,078	8,007	13,686	6,859
South Carolina	152	12,937	19,206	34,658	66,803	33,392
South Dakota 1/	81	2,123	3,020	7,329	12,473	6,079
Tennessee	129	15,398	20,121	25,416	60,937	32,459
Texas	301	44,013	55,012	92,923	191,949	93,357
Utah	45	5,778	5,971	13,766	25,515	12,654
Vermont	132	3,035	2,476	10,787	16,299	7,274
Virginia	147	15,977	17,297	30,152	63,427	30,009
Washington	152	10,596	10,412	17,338	38,347	19,017
West Virginia	59	4,481	7,127	15,637	27,245	13,023
Wisconsin	229	9,424	14,467	35,696	59,588	24,149
Wyoming 1/	31	1,644	1,626	4,917	8,187	3,850
American Samoa	0	0	0	0	0	0
Guam	3	328	453	1,168	1,950	1,273
N. Mariana Islands	0	0	0	0	0	0
Puerto Rico	110	21,996	29,070	49,780	100,847	57,972
Trust Territory	0	0	0	0	0	0
Virgin Islands	8	1,307	1,685	3,408	6,401	3,982
Indian Tribes	0	0	0	0	0	0
DOD Army/AF	0	0	0	0	0	0
Anticipated Program Costs	0	0	0	0	0	11,392
Prior Year Funds						-22,591
TOTAL/AVERAGE	7,563	664,890	873,746	1,599,898	3,138,534	1,502,544 3/

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

1/ Includes Indian Agencies.
2/ Average Monthly Participation.
3/ Excludes $1.7 million for Evaluations

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Commodity Supplemental Food Program:

For necessary expenses to carry out the commodity supplemental food
program as authorized by section 4(a) of the Agriculture and Consumer
1 Protection Act of 1973 (7 U.S.C. 612c (note)), [including not less than
$2,950,000 for the projects in Detroit, New Orleans, and Des Moines,
2 $36,999,000] $38,605,000, which shall be the maximum amount available
3 for fiscal year 1987 and which shall first be allocated to projects
serving women, infants and children in the previous fiscal year and then
to finance those elderly who participated in the prior fiscal year, to
4 remain available through September 30, 1988: Provided, That of funds
provided herein, [shall remain available through September 30, 1987]
5 not to exceed $5,791,000 may be made available for States carrying out
section 5 of the Agriculture and Consumer Protection Act of 1973.

The first change deletes Fiscal Year 1986 funding for the elderly pilot projects and other language applicable to Fiscal Year 1986.

The second change limits the funds available for the commodity supplemental food program.

The third change specifies that assistance first be allocated to CSFP projects in operation in Fiscal Year 1986 and to projects serving elderly in Fiscal Year 1986. Funding allocated to projects serving elderly will be in an amount necessary to serve only those elderly who participated in Fiscal Year 1986.

The fourth change updates the two year availability of funds for obligation.

The fifth change specifies the maximum amount to be paid for the Federal share of administrative costs.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

Appropriation Act, 1986		$36,999,000
Budget Estimate, 1987		38,605,400
Increase in Appropriation		+1,606,400
Adjustments in 1986:		
Appropriation Act, 1986	$36,999,000	
Less Pro-Rata Reduction, P.L. 99-190	-222,000	
Net Appropriations	36,777,000	
Adjusted base for 1986		$36,777,000
Budget Estimates, 1987		38,605,400
Increase over adjusted, 1986		+1,828,400

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Commodity Supplemental Food Program (CSFP)..	$36,777,000	+$1,828,400	$38,605,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Commodity Supplemental Food Program (CSFP):				
(a) Commodities for supplemental food ...	$15,934,023	$26,565,493	+$3,271,307	$29,836,800
(b) Payments to distributing agencies for administration	6,104,282	6,227,395	-962,095	5,265,300
(c) Pilot projects for the elderly	2,879,695	3,984,112	-480,812	3,503,300
Total, Appropriation	24,918,000	36,777,000	+1,828,400(1)	38,605,400

PROJECT STATEMENT

(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Commodity Supplemental Food Program (CSFP):				
(a) Commodities for supplemental food ...	$26,250,015	$26,706,526	+$3,130,274	$29,836,800
(b) Payments to distributing agencies for administration	5,968,046	6,227,395	-962,095	5,265,300
(c) Pilot projects for elderly	2,874,898	3,984,112	-480,812	3,503,300
Total, obligations	35,092,959	36,918,033	+1,687,367(1)	38,605,400
Recovery of prior year obligations	-194,124	--	--	--
Unobligated balances:				
Available, start of year.	-10,121,868	-141,033	+141,033	--
Available, end of year...	141,033	--	--	--
Total, Appropriation..........	24,918,000	36,777,000	1,828,400	38,605,400

EXPLANATION OF PROGRAM

The Commodity Supplemental Food Program (CSFP) is authorized by section 4(a) of the Agricultural and Consumer Protection Act of 1973, as amended in 1981 by P.L. 97-98. This program provides supplemental foods to infants and children up to age 6 and to pregnant, postpartum and breastfeeding women who have low incomes and are residing in approved project areas.

In Fiscal Year 1986 approximately 147,000 women, infants and young children will receive food packages each month. The foods are provided by the Department of Agriculture for distribution through State agencies. The authorized commodities are iron-fortified infant formula, rice cereal, canned juice, evaporated milk and/or nonfat dry milk, canned vegetables or fruits, canned meat or poultry, egg mix, dehydrated potatoes, farina, and peanut butter or dry beans.

Funds are made available for State and local costs associated with the administration of the program not to exceed 15 percent of the total amount appropriated minus Elderly Pilot Project funding. Allowable costs include nutrition education, warehousing, food delivery, participant certification, and other costs associated with State and local administration of the program.

The Food Stamp and Commodity Distribution Amendments of 1981 (P.L. 97-98) authorized the institution of two pilot commodity distribution projects directed at low-income elderly persons. Detroit, Michigan, and Des Moines, Iowa, were selected as pilot sites. A third project, authorized by the 1983 Agriculture Appropriations Act (P.L. 97-370) was established in New Orleans, Louisiana, in December 1982. Congress provided not less than $2,950,000 for the Elderly Pilot Projects in Fiscal Year 1986 appropriations, (P.L. 99-190).

JUSTIFICIATION OF INCREASES AND DECREASES

(1) An increase of $1,828,400 in the appropriation for the Commodity Supplemental Food Program. On the basis of available funds of $36,918,033 in Fiscal Year 1986 there is an increase of $1,687,367.

Need for Change. Based on recent economic projections an increase of $1.7 million between Fiscal Year 1986 and 1987 is needed to fund anticipated increases in the food costs.

Nature of Change. A monthly average participation of 146,800 women, infants and children is expected in Commodity Supplemental Food Program in Fiscal Year 1986 at a monthly cost of $17.46 per person. In Fiscal Year 1987 average participation is estimated at 140,000 persons per month with a per person cost of $17.76.

	1986 Estimate	1987 Estimate	Change
Average Participation per month (in millions).........................	147	140	-7
Program Level ($ in millions):			
Food costs a/.........................	$26.7 b/	$29.8	+$3.1
State and local administrative costs	6.2	5.3	-.9
Pilot Projects for the Elderly	4.0	3.5	-.5
Total................................	36.9	38.6	+1.7
Average food cost per person per month..	$17.46	$17.76	+$.30

a/ Represents full cost of prescribed CSFP food package including payments to CCC for items obtained from CCC stocks.

b/ Additional commodities necessary to cover program need based on average participation and food costs will be provided from inventory and uncommitted commodities.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

STATUS OF PROGRAM

Commodity Supplemental Food Program (CSFP)

The Commodity Supplemental Food Program provides federally purchased commodities and administrative funds to States which in turn distribute the commodities to low-income pregnant, postpartum, and breastfeeding women, infants and children up to age six residing in approved project areas. The quantity and varieties of commodities are determined by the Secretary of Agriculture.

Legislative Authorization

The Commodity Supplemental Food Program was instituted in Fiscal Year 1969 as a result of the Agriculture Appropriations Act (P.L. 90-463), enacted August 8, 1968.

In 1977, P.L. 95-113 authorized the payment of administrative expenses equal to 15 percent of the total amount of the value of commodities made available to the State or local agency. The Agriculture and Food Act of 1981 (P.L. 97-98), enacted December 22, 1981, extended the CSFP authorization through Fiscal Year 1985 and amended the base for administrative funding to 15 percent of appropriations. This provision was superceded in September 1983 by P.L. 98-92, which authorizes administrative expenses equal to 15 percent of the sum of the amount appropriated to the CSFP and the value of additional commodities donated by the Secretary to State or local agencies to be distributed as part of the food package. The Food Security Act of 1985 (P.L. 99-198), enacted,December 23, 1985, further amended the authorization.

Program Participation

In Fiscal Year 1985, there were 13 State agencies operating the program. The average monthly participation in Fiscal Year 1985 was 139,100; participation at the end of Fiscal Year 1985 was 139,700.

Food Package

Benefits are delivered using five food packages: (1) infants - birth through 3 months; (2) infants - 4 through 12 months; (3) children - 1 to 6 years; (4) pregnant and breastfeeding women; and (5) non-breastfeeding postpartum women. The food packages reflect the health and nutritional requirements of participant categories.

CSFP participants receive monthly food packages which include: juice, hot cereal, nonfat dry milk, evaporated milk, egg mix, dry beans or peanut butter, canned fruits or vegetables, canned meat or poultry, dehydrated potatoes, bonus cheese, butter and honey. Infants receive formula and rice cereal.

Elderly Feeding Pilot Project

In September 1982, the Department began two elderly feeding pilot projects in Polk County, Iowa, and Detroit, Michigan, as authorized by the Agriculture and Food Act of 1981 (P.L. 97-98). The projects provide USDA commodity supplemental foods to low-income senior citizens in a manner similar to the Commodity Supplemental Food Program. A third project, authorized by the 1983 Agriculture Appropriations Act (P.L. 97-370) was established in New Orleans, Louisiana, in December 1982. The purpose of these projects is to assess this method of providing benefits to the low-income elderly population, especially to those who are home-bound or who are not participating in other food assistance programs. The food packages can be specifically adapted to provide for senior citizens with special dietary needs.

The projects served an average of approximately 19,400 senior persons per month in Fiscal Year 1985.

COMMODITY SUPPLEMENTAL FOOD PROGRAM
PROJECTS, PARTICIPATION AND FOOD COST
FISCAL YEAR 1985

STATE	PROJECTS	PARTICIPATION 1/				FOOD FUNDING 2/
		WOMEN	INFANTS	CHILDREN	TOTAL	
CALIFORNIA	1	809	721	3,823	5,353	$ 852,738
COLORADO	6	3,504	2,821	7,686	14,011	2,525,666
DISTRICT OF COLUMBIA	1	1,306	1,088	4,737	7,131	1,273,245
ILLINOIS	1	1,175	192	5,502	6,869	1,178,751
IOWA	1	415	210	1,863	2,488	383,519
KENTUCKY	1	784	649	4,227	5,660	954,966
LOUISIANA	1	3,426	3,110	12,137	18,673	3,407,146
MICHIGAN	1	8,147	6,169	29,770	44,086	7,776,081
MINNESOTA	1	102	97	285	484	75,563
NEBRASKA	7	725	367	3,963	5,055	787,264
NORTH CAROLINA	1	358	288	1,116	1,762	325,373
SOUTH DAKOTA	2	303	303	1,106	1,712	336,859
TENNESSEE	4	5,883	4,851	15,047	25,781	4,375,603
ADJUSTMENT						1,997,241
TOTAL	28	26,937	20,866	91,262	139,065	26,250,015

1/ AVERAGE MONTHLY PARTICIPATION FROM FNS-153
2/ TOTAL VALUE OF ENTITLEMENTS FOODS FROM FNS-153
NOTE: THESE DATA ARE BASED IN PART ON PRELIMINARY DATA SUBMITTED BY STATE AND LOCAL AGENCIES AND ARE SUBJECT TO CHANGE AS REVISED REPORTS ARE RECEIVED.

COMMODITY SUPPLEMENTAL FOOD PILOT PROJECT

PROJECTS, PARTICIPATION AND FOOD COST

FISCAL YEAR 1985

STATE	PROJECTS	ELDERLY PARTICIPATION 1/	FOOD FUNDING 2/
IOWA			
DES MOINES	1	4,114	$ 470,667
LOUISIANA			
NEW ORLEANS	1	7,922	969,993
MICHIGAN			
DETROIT	1	7,384	811,081
ADJUSTMENT			-196,000
TOTAL	3	19,420	2,447,741

1/ AVERAGE MONTHLY ELDERLY PARTICIPATION FROM FNS-153
2/ TOTAL VALUE OF ENTITLEMENT FOODS FROM FNS-153
NOTE: THESE DATA ARE BASED IN PART ON PRELIMINARY DATA SUBMITTED BY STATE AND AS REVISED REPORTS ARE RECEIVED.

COMMODITY SUPPLEMENTAL FOOD PROGRAM
QUANTITY AND VALUE OF COMMODITIES

FISCAL YEAR 1985

Commodity	Pounds (000)	Value ($000)
Section 32 type:		
Apple juice	5,050	1,160
Applesauce	483	159
Apricots, canned	163	116
Beans, dry	422	119
Beans, green canned	986	307
Beef, canned	811	1,183
Carrots, canned	231	71
Corn, canned	864	263
Egg mix, dehydrated	1,307	2,282
Fruit cocktail	862	514
Grape juice	6,140.	1,548
Grapefruit juice	557	125
Orange juice	6,594	2,299
Peaches, canned	798	480
Pears, canned	548	329
Peas, canned	497	171
Pineapple, canned	180	80
Pineapple juice	5,669	1,465
Plums, canned	172	81
Pork, canned	1,004	1,167
Potatoes, dehydrated	438	263
Potatoes, whole	165	50
Poultry, canned	13	15
Pumpkin, canned	167	60
Spinach, canned	119	51
Stew, beef meatball	1,319	881
Sweetpotatoes, canned	224	97
Tomatoes, canned	105	38
Tomato juice	268	62
TOTAL	36,156	15,414
Section 416-type:		
Evaporated milk	14,132	6,975
Farina	2,569	797
Cereal, infant rice	261	182
Formula, infant	5,573	3,773
Formula, infant (powdered)	276	846
Peanut butter	912	711
TOTAL	23,723	13,284
Bonus/Free Substitute Commodities:		
Section 32-type:		
Raisins	1,911	967
Section 416-type:		
Butter	210	308
Cheese, processed	6,279	8,595
Milk, nonfat dry	4,779	5,065
Honey	364	441
Rice, milled	1,566	304
TOTAL BONUS	15,309	15,680
GRAND TOTAL	75,188	44,378 a/

a/ Includes $2,447,741 in commodities provided to the elderly feeding pilot projects.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Stamp Program:

1 For [necessary expenses to carry] carrying out the Food Stamp Act
2 (7 U.S.C. 2011-2027, 2029), [$11,891,570,000: Provided, That funds
provided herein shall remain available through September 30, 1986, in
accordance with section 18(a) of the Food Stamp Act: Provided further,
That up to 5 per centum of the foregoing amount may be placed in reserve
to be apportioned pursuant to section 3679 of the Revised Statutes, as
amended, for use only in such amounts and at such times as may become
necessary to carry out program operations: Provided further, That funds
provided herein shall be expended in accordance with section 16 of the
Food Stamp Act: Provided further, That this appropriation shall be
subject to any work registration or workfare requirements as may be
required by law: Provided further, That $345,000,000 of the funds
provided herein shall be available only to the extent necessary after the
Secretary has employed the regulatory and administrative methods available
to him under the law to curtail fraud, waste and abuse in the program]
3 $11,518,579,000: Provided, That during the final two quarters of fiscal
year 1987 not more than 70 per centum of amounts expended by each State
under a plan approved under the Food Stamp Act for anti-fraud activities
and the planning, design, development, or installation of automatic data
processing systems shall be included in determining the amount payable to
4 a State under section 16: Provided further, That for any State in which
the ratio of amounts expended for administration of its Food Stamp plan
in fiscal year 1987 to the average monthly number of its Food Stamp
recipients in that year (called "per recipient administrative costs")
exceeds 175 per centum of the national median of all such ratios (such
ratios being established by the Secretary on the basis of the best data
available when the amount payable is determined, with subsequent adjustments
made as necessary), not in excess of 25 per centum of any such State's
costs in excess of 175 per centum of the national median of such per
recipient administrative costs may be included in determining the amount
5 payable under section 16: Provided further, That States shall require
applicants for and recipients of food stamps, other than those exempted
by section 6(d)(2) of the Food Stamp Act, to engage in no fewer than one
of the activities described in section 6(d)(4)(B) of the Act as a
6 condition of receiving assistance: Provided further, That not to exceed
$30,000,000 shall be available for purposes of section 16(h)(1).
NOTE: Legislative action required.

The first change provides clarifying language.

The second change eliminates unnecessary language as well as language pertaining to Fiscal Year 1986.

The third change specifies the Fiscal Year 1987 appropriations request and limits the Federal share of administrative expenses authorized for anti-fraud and automated data processing.

The fourth change limits the Federal share of administrative expenses to 25 percent for those expenses in excess of 175 percent of the national median cost per participant.

The fifth change requires that States implement employment and training activities authorized in the Food Security Act of 1985 for all employable applicants and recipients as a condition of eligibility.

The sixth change provides for a grant of $30 million to States for employment and training activities. Other such costs will be matched at 50 percent.

FOOD STAMP PROGRAM - CURRENT LAW

Appropriations Act, 1986		$11,891,570,000
Budget Estimate, Current Law, 1987		11,831,915,000
Decrease in Appropriation		-59,655,000
Adjustments in 1986:		
Appropriations Act, 1986	$11,891,570,000	
Less Pro-Rata Reduction, P.L. 99-190	-71,349,000	
Adjusted base for 1986		11,820,221,000
Budget Estimate, Current Law, 1987		11,831,915,000
Increase over adjusted 1986		+11,694,000

FOOD STAMP PROGRAM - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1987	$11,831,915,000
Change due to proposed legislation	-313,336,000
Net Request, President's 1987 Budget Request	11,518,579,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Benefit costs	$10,738,185,000 a/	+$174,005,000	$10,912,190,000
Administrative costs:			
State administration	967,480,000	+59,737,000	1,027,217,000
Other program costs:			
Printing of stamps	27,009,000	+1,107,000	28,116,000
Shipment of stamps	4,910,000	+201,000	5,111,000
Processing redeemed stamps	11,904,000	+1,219,000	13,123,000
Computer support systems	2,513,000	+103,000	2,616,000
Certification of SSI recipients for food stamps	2,200,000	+90,000	2,290,000
Printing redemption certificates	218,000	+9,000	227,000
Bank monitoring system	360,000	+15,000	375,000
Printing other than stamps	696,000	+29,000	725,000
Research, evaluation and demonstration projects	8,550,000	+351,000	8,901,000
State exchange projects	157,000	+6,000	163,000
Subtotal, Other program costs	58,517,000	+3,130,000	61,647,000
Total, Administrative costs	1,025,997,000	+62,867,000	1,088,864,000
Unobligated balance lapsing	702,000 b/	-702,000	--
State error liability collections	--	-169,139,000	-169,139,000
Transfers to:			
Office of the Inspector General	15,924,000	-15,924,000	--
Office of the General Counsel	786,000	-786,000	--
Extension Service	38,627,000	-38,627,000	--
Total, Available	11,820,221,000	+11,694,000	11,831,915,000

a/ Legislation will be proposed that would save $69,000,000 in 1986 by repealing certain provisions of the Food Security Act of 1985 which are to become effective May 1, 1986.

b/ The Appendix to the Budget for Fiscal Year 1987 shows an unobligated balance of $69,702,000 which reflects consultant services savings of $702,000 mandated by Section 515 of the conference version of the Treasury, Postal Service, and General Government Appropriations Act for 1986 and savings from proposed legislation of $69,000,000.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Benefit costs	a/ $10,775,835,463	b/ $10,738,185,000	+$ 174,005,000(1)	$10,912,190,000
Administrative costs:				
State administration	912,303,556	967,480,000	+59,737,000(2)	1,027,217,000
Other program costs:				
Printing of stamps	19,196,052	27,009,000	+1,107,000	28,116,000
Shipment of stamps	2,899,909	4,910,000	+201,000	5,111,000
Processing redeemed stamps	12,075,000	11,904,000	+1,219,000	13,123,000
Computer support systems	589,782	2,513,000	+103,000	2,616,000
Certification of SSI recipients for food stamps	2,500,000	2,200,000	+90,000	2,290,000
Printing redemption certificates	209,000	218,000	+9,000	227,000
Bank monitoring system	165,850	360,000	+15,000	375,000
Printing other than stamps	222,144	696,000	+29,000	725,000
Research, evaluation and demonstration projects	6,026,821	8,550,000	+351,000	8,901,000
State exchange projects	150,000	157,000	+6,000	163,000
Subtotal, Other program costs	44,034,558	58,517,000	+3,130,000(3)	61,647,000
Total, Administrative costs	956,338,114	1,025,997,000	+62,867,000	1,088,864,000
Total, Obligations	11,732,173,577	11,764,182,000	+236,872,000	12,001,054,000
Unobligated balances:				
Available, start of year	-70,302	--	--	--
Lapsing	19,423,725	702,000 c/	-702,000(4)	--
State error liability collections	--	--	-169,139,000(5)	-169,139,000
Transfers to:				
Office of the Inspector General	16,355,000	15,924,000	-15,924,000(6)	--
Office of the General Counsel	974,000	786,000	-786,000(7)	--
Extension Service	--	38,627,000	-38,627,000(8)	--
Total, Appropriation	11,768,856,000	11,820,221,000	+11,694,000	11,831,915,000
Proposed Legislation				-313,336,000
President's Budget				11,518,579,000

a/ More recent participation reports indicate that Fiscal Year 1985 benefit costs were $10,752,463.

b/ Legislation will be proposed that would save $69,000,000 in 1986 by repealing certain provisions of the Food Security Act of 1985 which are to become effective May 1, 1986.

c/ The Appendix to the Budget for Fiscal Year 1987 shows an unobligated balance of $69,702,000 which reflects consultant services savings of $702,000 mandated by Section 515 of the conference version of the Treasury, Postal Service, and General Government Appropriations Act for 1986 and savings from proposed legislation of $69,000,000.

EXPLANATION OF PROGRAM

The Food Stamp Program, which is authorized through September 30, 1990, by the Food Security Act of 1985, helps individuals and families with low incomes to obtain a more nutritious diet. Eligible participants are entitled to food stamp allotments based on their household size and net income after provision has been made for certain deductions. The food stamps increase the food purchasing power of eligible households and thus enable them to attain a better diet than would have been possible without the assistance of the Food Stamp Program.

Benefit Costs. The Food Stamp Program is currently in operation in all 50 States, the District of Columbia, the Virgin Islands and Guam. Participating households receive food stamps whose value is determined by household size and income. The cost of the stamps is paid by the Federal Government and is called "benefit" costs. As required by law, the food stamp allotments for the various household sizes are periodically revised to reflect changes in the cost of the Thrifty Food Plan. The last revision was made on October 1, 1985.

The State social service agencies are responsible for certifying eligible households and issuing the food stamps. Authorized grocery stores accept the stamps as payment for food purchases, and forward them to commercial banks for cash or credit. The stamps flow through the banking system to the Federal Reserve Bank for redemption out of a special account maintained by the United States Treasury Department.

In Fiscal Year 1986, an average of 19,720,000 persons are expected to participate in the program monthly and receive stamps worth an average of $45.09 each month based on legislative savings proposed for 1986. Under current law, an average of 19,750,000 persons are expected to participate monthly and receive stamps worth an average of $45.31 each month.

State Administration. Since October 1, 1974, all direct and indirect administrative costs incurred for certification of nonpublic assistance households, issuance of food stamps, quality control, and fair hearing efforts have been shared by the Federal Government and the States on a 50-50 basis. States may receive 60 percent Federal funding of administrative costs if their error rates are below five percent and a reasonable rate of invalid decisions is attained. Any State agency's Federal administrative funding payment may be reduced if its error rate of overissuances and payments to ineligible households exceeds five percent in Fiscal Year 1985 or any succeeding fiscal year. Federal funding for 75 percent of automation costs incurred by State agencies is authorized by law.

State administration also includes State anti-fraud activities. Under the provisions of the Food Stamp Act of 1977, as amended, States are eligible to be reimbursed for not less than 75 percent of the costs of their food stamp fraud investigations and prosecutions. Of the funds appropriated for State administration, $52.4 million has been budgeted to cover State anti-fraud activities in Fiscal Year 1986.

Employment and Training Program. The Employment and Training Program is also included in State administration. States are required to implement an employment and training program for the purpose of assisting members of households participating in the Food Stamp Program in gaining skills, training or experience that will increase their ability to obtain regular employment. In Fiscal Year 1986, the Department of Agriculture will contract with the States to assist them in providing employment and training services. The Department will pay the States $40 million to operate work programs in Fiscal Year 1986.

Other Program Costs. In addition to State administrative expenses, other program costs borne by the Federal Government include:

(1) The printing and transporting of stamps to authorized State agencies;

(2) Processing and destruction of redeemed stamps by Federal Reserve Banks;

(3) The computer support control systems;

(4) The cost of certifying SSI/Social Security recipients for participation in the Food Stamp Program by the district offices of the Social Security Administration;

(5) The printing of food stamp redemption certificates;

(6) The bank monitoring system;

(7) Printed materials other than stamps to help families living in poverty or near poverty to achieve adequate diets;

(8) The cost of research, evaluation and demonstration projects authorized under Section 17 of the Food Stamp Act of 1977; and

(9) State exchange or operation awareness projects through which Federal and State joint efforts reduce fraud, waste and abuse in the Food Stamp Program.

Office of the Inspector General. Funds are transferred from the Food Stamp Program appropriation to the Office of the Inspector General (OIG) to offset the expenses incurred by the OIG related to audit and investigation of Food Stamp Program operations.

Office of the General Counsel. Food Stamp Program funds are also transferred to the Office of the General Counsel (OGC). The funds are used by the OGC to strengthen their food stamp activities, especially those activities that are directed toward the reduction of fraud and abuse in the program.

Extension Service. Funds will be transferred from the Food Stamp Program appropriation to the Extension Service for the Expanded Food and Nutrition Education Program (EFNEP).

JUSTIFICATION OF INCREASES AND DECREASES - CURRENT LAW

(1) An increase of $174,005,000 in the appropriation for Benefit Costs ($10,738,185,000 available in 1986).

Need for Change. For Fiscal Year 1987, the scheduled increase in the Thrifty Food Plan will result in an increase in benefits for all households. The increase will be partially offset by a reduction in the rate of program participation from 19.75 million in Fiscal Year 1986 to 19.61 million in Fiscal Year 1987, due to a number of factors, including a lower estimated level of unemployment in Fiscal Year 1987 and the results of agency continued efforts at reducing fraud and overissuance.

Nature of Change. A decline in the average participation, offset by an increase in the Thrifty Food Plan, results in an increase in total benefit costs. A comparison of key program workload and cost indicators for Fiscal Years 1986 and 1987 is presented below:

	FY 1986 Estimate	FY 1987 Estimate	Change
Average participation (000)	19.750	19,610	-.140
Average unemployment rate (percent)	6.90	6.70	-.20
Thrifty Food Plan	$268.00	$273.00	+$5.00
Average benefit per person per month	$45.31	$46.37	+$1.06
Net benefit costs (millions)	$10,738	$10,912	+$174

(2) An increase of $59,737,000 in the appropriation for State Administrative Costs ($967,480,000 available in 1986).

(a) An increase of $41,737,000 to offset inflationary increases in State administrative costs.

(b) An increase of $18,000,000 to cover the cost of the Employment and Training Program resulting from changes contained in the Food Security Act of 1985.

Need for Change. Based on the most recent economic projections, moderate rates of inflation between 1986 and 1987 are expected to increase the cost of providing food stamp benefits.

Based on legislation amending the Food Stamp Act of 1977, the 1986 cost of the Employment and Training Program (previously referred to as Job Search Activities) will increase in Fiscal Year 1987.

Nature of Change. The $41,737,000 increase reflects the application of a projected rate of inflation of 4.5 percent to the Fiscal Year 1986 base level for costs shared by State and local agencies and the Federal Government.

The increase of $18,000,000 for the Employment and Training Program above the Fiscal Year 1986 level of $40,000,000 will be needed to fully cover the changes contained in the Food Security Act of 1985.

(3) An increase of $3,130,000 in the appropriation for Other Program Costs ($58,517,000 available in 1985).

Need for Change. Increases in other program costs are attributed to the moderate rates of inflation projected between 1986 and 1987.

Nature of Change. The change consists of:

(a) An increase of $1,107,000 in the appropriation for the printing of stamps ($27,009,000 available in Fiscal Year 1986).

(b) An increase of $201,000 in the appropriation for the shipping of stamps ($4,910,000 available in Fiscal Year 1986).

(c) An increase of $1,219,000 in the appropriation for the processing of redeemed stamps ($11,904,000 available in Fiscal Year 1986).

(d) An increase of $103,000 in the appropriation for the cost of computer support systems ($2,513,000 available in Fiscal Year 1986).

(e) An increase of $90,000 in the appropriation for the cost of certification of Supplemental Security Income recipients for food stamps ($2,200,000 available in Fiscal Year 1986).

(f) An increase of $9,000 in the appropriation for the cost of printing redemption certificates ($218,000 available in Fiscal Year 1986).

(g) An increase of $15,000 in the appropriation for the cost of the bank monitoring system ($360,000 available in Fiscal Year 1986).

(h) An increase of $29,000 in the appropriation for printing other than stamps ($696,000 available in Fiscal Year 1986).

(i) An increase of $351,000 in the appropriation for research, evaluation and demonstration projects ($8,550,000 available in Fiscal Year 1986).

(j) An increase of $6,000 in the appropriation for State exchange projects ($157,000 available in Fiscal Year 1986).

(4) A decrease of $702,000 to the unobligated balance lapsing which will not be available in Fiscal Year 1987. The Appendix to the Budget for Fiscal Year 1987 shows an unobligated balance of $69,702,000 which reflects consultant services savings of $702,000 mandated by Section 515 of the conference version of the Treasury, Postal Service, and General Government Appropriations Act for 1986 and savings from proposed legislation of $69,000,000.

(5) A decrease of $169,139,000 resulting from collections for State error liabilities.

(6) A decrease of $15,924,000 transferred to the Office of the Inspector General ($15,924,000 available in 1986).

Need for Change. The Food Security Act of 1985 prohibits the transfer of funds to the Office of the Inspector General effective October 1, 1986.

(7) A decrease of $786,000 transferred to the Office of the General Counsel ($786,000 available in 1986).

Need for Change. The Food Security Act of 1985 prohibits the transfer of funds to the Office of the General Counsel effective October 1, 1986.

(8) A decrease of $38,627,000 transferred to the Extension Service ($38,627,000 available in 1986).

Need for Change. The Expanded Food and Nutrition Education Program is proposed for elimination for Fiscal Year 1987.

FOOD STAMP PROGRAM
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1986	1987		
	Program Change	Current Law	Program Change	President's Request
Total, Available	-$69,000,000	$11,831,915,000	-$313,336,000	$11,518,579,000

Explanation of Proposed Legislation

This budget proposes to make several changes in the Food Stamp Program that result in net savings of $69,000,000 in Fiscal Year 1986 and $313,336,000 in Fiscal Year 1987.

Count JTPA Income: This proposal would include stipends as well as the earnings provided under the Job Training Partnership Act of 1982 as income. The Food Security Act of 1985 included earnings as income except for dependents under age 19. This provision will extend the same treatment to stipends such as training allowances and needs-based payments. -- $10,000,000 savings in 1987.

Deduction of Shelter Expenses and Energy Assistance Payments: This proposal would eliminate from consideration as a shelter expense, for the purpose of computing the excess shelter deduction, any expense met by payments made under the Low Income Home Energy Assistance Act (LIHEAA). Such expenses would not be deductible whether the LIHEAA payment was made in cash directly to the household or paid to a third party. -- $68,000,000 savings in 1987.

Earned Income Deduction: This proposal would repeal an increase in the earned income deduction, enacted by the Food Security Act of 1985, which is scheduled for May 1, 1986. The deduction, currently set at 18 percent of total earnings, will rise to 20 percent on that date. -- $23,000,000 savings in 1986 and $57,000,000 savings in 1987.

Combined Excess Shelter Cost/Dependent Care Deduction: This proposal would repeal two changes enacted by the Food Security Act of 1985. First, it would repeal an increase in the ceiling on this deduction scheduled for May 1, 1986. The proposal would retain the existing limits through the end of Fiscal Year 1986, when they would be adjusted in accordance with established procedures. Second, this provision would repeal the separation of the dependent care deduction from the excess shelter deduction. -- $23,000,000 savings in 1986 and $55,000,000 savings in 1987.

Assets Limit: This proposal would repeal two changes enacted by the Food Security Act of 1985 and scheduled to take effect on May 1, 1986. On that date, the limit on assets for households without elderly members will be raised from $1,500 to $2,000. For households of two or more persons, at least one of whom is elderly, the limit on assets will be increased to $3,000. -- $23,000,000 savings in 1986 and $77,000,000 savings in 1987.

Employment and Training Program: This proposal would enhance current work requirements. It would require that States implement a universal work requirement for employable applicants and recipients. All able-bodied applicants and recipients would be required to participate in a work or training program. This proposal would save an estimated $82,000,000 in program benefits and increase administrative costs by an estimated $16,000,000. -- $66,000,000 net savings in 1987.

Liability for Excess Errors: This proposal would hold States liable for the full dollar value of erroneously issued benefits in excess of five percent of total food stamp issuance. Under current law, the States are held liable for only a fraction of their erroneous issuances above five percent. -- $11,000,000 savings in 1987.

Special Matching for Administrative Costs: This proposal would reduce the enhanced funding now available to State agencies for their costs of investigating or prosecuting fraud and for the development of certain ADP systems. These costs are now shared on a 75/25 Federal/State basis. This provision would gradually reduce the matching share to a 50/50 basis by 1990. -- $2,336,000 savings in 1987.

Federal Funding of Excessive State Agency Administrative Costs: This proposal would establish a 25 percent Federal funding match for that portion of State agency administrative costs that exceed 175 percent of the national median cost per participant. -- $4,000,000 savings in 1987.

Interaction Costs: Proposed legislation affecting the Aid to Families with Dependent Children (AFDC) Program will increase Food Stamp costs by $37,000,000 in 1987.

FOOD STAMP PROGRAM

STATUS OF PROGRAM

The Food Stamp Program increases the food purchasing power of low income households by issuing coupons redeemable for food at retail stores. In addition to benefit costs, the food stamp appropriation provides for State administrative costs, anti-fraud efforts, and other program costs such as printing and distribution of food stamps and funds for contracts to States for job search activities for work eligible food stamp recipients. Fiscal Year 1985 saw the continuation of the major efforts to improve the management of the Food Stamp Program. Attention remained focused on reducing Federal costs through improving program management and decreasing and eliminating the instances of error, fraud, waste, and abuse from the program while continuing to meet the needs of low-income persons. These program management improvements were the product of numerous administrative actions taken by the Food and Nutrition Service (FNS).

Legislation

Food Stamp Program operations were affected by two pieces of legislation in Fiscal Year 1985. None of the approved provisions changed basic eligibility standards for all food stamp recipients.

P.L. 98-473, approved October 12, 1984, made continuing appropriations for the Food Stamp Program, among others, for Fiscal Year 1985. It also repealed the one percent reduction in the Thrifty Food Plan. This repeal raised the maximum benefit for a four-person household from $261 in October 1984 to $264 in November 1984.

P.L. 98-88, approved August 15, 1985, provided supplemental appropriations and made residents of publicly-operated community mental health centers eligible to receive food stamps and authorized the centers to accept food stamps.

Program Participation

Participation during Fiscal Year 1985 averaged 19.9 million persons per month. Total benefit costs for Fiscal Year 1985 were $10.8 billion for an average monthly benefit of $45.01 per person. In Fiscal Year 1984, monthly participation averaged 20.9 million persons and monthly benefits averaged $42.76 per person. This drop-off in program levels coincides with a period of economic recovery. Monthly unemployment averaged 7.83 million people in Fiscal Year 1984 and fell to 7.23 million in Fiscal Year 1985.

Characteristics of Food Stamp Households

The Food Stamp Program serves the nation's most needy households.

- The average gross monthly income per food stamp household is $376 (the annual equivalent of $4,512). The average net income is $208 a month -- $2,496 a year.
- 5.4 percent of households have zero gross income and 18.4 percent have zero net income.
- 37.8 percent of all households have gross incomes of less than $300 per month (the annual equivalent of $3,600).

Food stamp households also tend to have few assets.

- 76.9 percent own no countable assets.
- 96.1 percent own assets of $500 or less.
- Average countable assets per household were $55, but for households with elderly members the average was $143.

Over three-quarters of food stamp recipients are children, elderly, disabled or single parents who are heads of households.

- 51.6 percent of all participants are children.
- 7.1 percent of all participants are elderly.
- 7.7 percent of all participants are disabled.
- 14.1 percent of all participants are single parents who are heads of households.

Food stamp recipients that are able to work are doing so or are meeting the program's work requirements in other ways.

- 80.2 percent of all participants are exempt from work requirements.
- 3 percent of participants are employed full time (8 percent of adult particpants); 19.6 percent of households had earned income.
- 11.8 percent of adult participants are registered for work through the Food Stamp Program; 18.1 percent are covered by the work requirements of other programs such as Aid to Families with Dependent Children and Unemployment Compensation Program. Most others are elderly, disabled, or responsible for the care of a child or incapacitated person.

The average household size is 2.7 persons.

Selected Examples of Recent Progress:

Regulations issued in Fiscal Year 1985

- Work Registration/Job Search and Voluntary Quit - This final rule was effective November 2, 1984. As required by the 1981 Food Stamp Act Amendments, this rule disqualifies participating households whose primary wage earners quit their jobs, denies participation to households containing a member who failed to comply with work requirements that are comparable to food stamp requirements under the Work Incentive Program or under Federal or State unemployment compensation programs, requires registrants to register for work every 12 months rather than every six months after initial registration, exempts from work registration a parent responsible for the care of a child under age six, and adds that good cause for not accepting suitable employment includes responsibility for the care of a child over age six but under age 12 where adequate childcare is not available. Also, in accordance with the 1982 Food Stamp Act Amendments, this rule lengthens the disqualification period for voluntary quit from 60 to 90 days; allows State agencies to impose job search at the time of application instead of waiting until a household is certified; applies the voluntary quit provisions to Federal, State, or local government employees dismissed from their jobs because of participation in a strike against a government entity; and removes the work registration exemption for a parent or other adult member responsible for the care of a child in a household where another parent is subject to the work registration requirements.
- Disclosure of Information and Noncompliance With Other Programs - This final rule was effective January 4, 1985. This rule implements those 1981 Food Stamp Act Amendments which require State agencies to provide access to applicant and recipient records to the Comptroller General of the U.S. for audit and examination purposes and by Federal, State, and local law enforcement officials for the purpose of investigating possible program violations. In accordance with the 1982 Amendments, this rule also requires State agencies to provide access to information included in food stamp applications by administrators of other Federal assistance programs and prohibits any increase in food stamp benefits to households which realize an

income decrease due to imposition of penalties for intentional failure to comply with Federal, State, or local welfare laws.

- Duplicate Participation and Cash-Based Nutrition Assistance Program in Puerto Rico - This rule was published December 12, 1984, and finalizes interim final rules that were effective October 1, 1983. Under the interim rule, State agencies were required to establish systems to ensure that no individual receives food stamps in more than one jurisdiction in the State and to ensure that participants receiving cash assistance in lieu of food stamps do not also get food stamps.

  Minimum standards for development and use of the system were included in the rule. After careful review of comments received on the interim requirements, the Department did not find cause to change the provisions. In accordance with the 1982 Food Stamp Act Amendments, this rule also provided an extension to the Commonwealth of Puerto Rico to continue to operate a cash nutrition assistance program through September 30, 1985.

- Income and Eligibility Verification Systems - This rule was published on March 14, 1985, by the Department of Agriculture; the Department of Health and Human Services (DHHS); and the Department of Labor. This rule contained proposed changes by each Department necessary to implement section 2651 of the Deficit Reduction Act of 1984 which requires State agencies that administer certain assistance programs to develop a system containing information on wages, unearned income, and benefits for use by administrators of the covered assistance programs when verifying eligibility and benefit amounts. Programs required to exchange data are: the Unemployment Compensation program; the Food Stamp Program; the Aid to Families with Dependent Children Program; the adult assistance programs under Titles I, X, XIV, and XVI of the Social Security Act and the Medicaid program. Overall, computerized procedures are a highly cost-effective means of improving the accuracy of eligibility and benefit determinations in the covered programs. Present efforts by State agencies in the area of wage matching are substantial and most States can accommodate this required system with relatively minor modifications. The comment period on this rule expired April 29, 1985.

- Performance Reporting System (PRS) - This rule was published August 29, 1985, and contains various proposed changes to the requirements that State agencies and the Department must meet regarding Food Stamp Program administration, conducting management evaluation (ME) reviews, data analysis and evaluation, corrective action, and reporting as part of the PRS. Changes were also proposed to the Quality Control (QC) System. Based on four years of experience in conducting reviews and planning and initiating corrective action, it has been determined that changes are needed in order to direct resources to the program areas where the greatest need for monitoring and/or corrective action exists. Under the proposed procedures, FNS would target program areas to be subject to review rather than require all areas to be reviewed. FNS would continue to provide technical assistance on review methods, but the proposal provides State agencies with more flexibility in the review process. The rule proposed to delete the requirement for prior approval of the corrective action process and to hold State agencies responsible for operating the program in accordance with the Food Stamp Act. If a State agency does not operate the program correctly, FNS has the option to initiate the warning process and potentially to disallow funds. This rule also proposes to require State agencies to determine a household ineligible if it refuses to cooperate with a Federal QC reviewer. In addition, the rule proposes changes to the timeframes for submitting ME review schedules and required QC reports.

- Aid to Families With Dependent Children (AFDC) Program and Food Stamp Program The Department of Agriculture and the Department of Health and Human Services published a joint Notice of Intent to Develop Regulations on February 19, 1985. This notice solicited comments and recommendations from the public for regulation revisions to provide more conformity between the AFDC and Food Stamp Programs where permissible under existing Federal laws. Eighty-seven respondents wrote recommending changes. Recommendations ranged from those that would require legislation (e.g., changing deductions or resource limits) to suggestions for establishing more uniform terminology. A work group was formed of FNS and DHHS employees to assure maximum cooperation and expeditious development and clearance of proposed regulations. Work has begun to prepare and issue joint proposed rules addressing those areas where commenters would like to see more conformity between the programs. Among areas where changes are likely are those of recipient notices and verification of aliens' status. This effort should improve and simplify administration of both programs and ease the burden placed upon individuals applying for Federal assistance.

o Thrifty Food Plan (TFP) Update - On October 11, 1984, the Department announced changes to the Thrifty Food Plan amounts (benefit levels) for all households for the period of October 1, 1984, through September 30, 1985. In accordance with the Food Stamp Act, food stamp benefits are adjusted annually to account for changes in the prices of foods. The October 1, 1984, change in food stamp benefits was based on the June 1984 cost of the TFP for a certain four-person family group. Adjustments were made to take into account household sizes, economies of scale, legislative mandates for a one percent reduction, and rounding of the final results down to the nearest dollar. For a family of four, this represented a rise in benefits per month from $253 to $261 for households in the 48 States and D.C. Similar updates were made to account for the cost of food in Alaska, Hawaii, Guam, and the Virgin Islands. This Notice also announced a cost-of-living increase in the amount of the standard deduction available to all households and the maximum amounts for the excess shelter and dependent care deductions available to certain households for the period October 1, 1984, through September 30, 1985. This adjustment represented a rise in the standard deduction from $89 to $95 for households in the 48 States and D.C. and a rise in the excess shelter/dependent care deduction from $125 to $134. Similar increases were made for Alaska, Hawaii, Guam, and the Virgin Islands. In addition, on October 29, 1984, the Department announced in a Notice changes to the October 1, 1984, annual update to reflect the full value of the TFP in accordance with Public Law 98-473. This change increased the benefit level for a family of four in the 48 States and D.C. by $3. Adjustments were also made to reflect the full value of the TFP for Alaska, Hawaii, Guam, and the Virgin Islands.

o Thrifty Food Plan Market Basket - On October 11, 1984, the Department announced that it had analyzed the comments received on its 1983 revision of the Thrifty Food Plan market basket. The market basket of foods contained in the Thrifty Food Plan had been revised to make it more up to date. The October 11 announcement addressed the comments received and explained the Department's analysis of those comments.

o Forfeiture and Denial of Property Rights and Acceptance of Irrevocable Letters of Credit - This proposed rule was published August 14, 1985. This rule proposes that cash and other ineligible items which are received by investigative agents in exchange for food stamps during investigations of firms and individuals be forfeited without compensation to the firms or individuals, even if the food stamps tendered by agents in trafficking violations are subsequently recovered before they are redeemed. This rule also established formal procedures for notifying the owners of forfeited property and for requesting administrative review of a forfeiture action. There are also provisions for the storage and disposal of forfeited property. In addition, the rule proposes to allow firms to submit irrevocable letters of credit rather than a collateral bond in order to apply or reapply for authorization after a sanction has been imposed. It was learned that firms were having difficulty obtaining bonds because bonding agents were not interested in issuing bonds in the low amounts being required. Letters of credit are issued by a majority of commercial banks, are available in amounts as low as $1,000 and are convertible to negotiable instruments for collection of outstanding fiscal claims.

- Alaska Thrifty Food Plan - This rule, which was published April 8, 1985, and finalizes interim final rules which became effective in August 1984, established separate allotment levels for rural and urban Alaska. In the late 1970's, the Department had established allotments in Alaska by increasing the value of the Anchorage Thrifty Food Plan upon which food stamp allotments were based. This increase took into account food prices in most areas of the State. However, it resulted in an allotment that was too high in urban areas and too low in rural areas. When the law was changed to permit the Department to establish a separate allotment level for rural Alaska, it was determined that a special purpose urban/rural definition had to be developed. Also, comprehensive and up-to-date food prices were not available and it was necessary to explore many alternative data bases and solutions prior to making a determination concerning allotment levels. The interim rule clearly distinguished among the geographic areas and minimized the possibility of persons fraudulently switching from urban to rural areas to obtain additional benefits and recognized the significantly higher costs of food in rural areas of Alaska by substantially increasing the allotments provided there. After careful analysis of comments received on the interim procedures, the Department did not find cause to change the procedures. This rule change, coupled with the annual update to the Thrifty Food Plan to account for changes in the prices of food in Alaska, resulted in an allotment level for use in rural Alaska, effective November 1, 1984, of $522 per month for a family of four.

- Income Eligibility Updates. On May 10, 1985, the Department announced in a Notice the net income eligibility limits to be used for determining eligibility for all households for the period July 1, 1985, to June 30, 1986. These limits are based on the poverty guidelines updated each year by the Department of Health and Human Services. The July 1, 1985, to June 30, 1986, limits are approximately four percent higher than the limits in the previous 12-month period. For a family of four in the 48 States and D.C., this represents a rise from $850 to $888 a month. The gross income eligibility limits for all households with no elderly or disabled persons also were increased in this Notice. The gross income limits are 130 percent of the poverty line. Similar adjustments were made for Alaska, Hawaii, Guam and the Virgin Islands.

Waivers

In Fiscal Year 1985, there was a significant decline (over 50 percent) in waiver activity at FNS' National Office due to a sharp decline in monthly reporting/retrospective budgeting (MR/RB) waiver requests and increased Regional Office activity in this area. A total of 213 waivers were received and 208 of these were acted on during the fiscal year. Of those acted on, 124 were approved and 74 were denied approval and 10 required no waiver to accomplish the State agency's objective. Of the total waivers acted on, 88 concerned regulatory and statutory MR/RB requirements. As a result of the approval of MR/RB waivers, about one-third (34 percent) of the caseload was subject to MR/RB at the end of Fiscal Year 1985.

Quality Control

The Department is revising FNS Handbook 315, the Federal Quality Control Validation Review Handbook, to have it conform to the current Food Stamp Program Regulations and to increase consistency in the rereview process among FNS's Regional Offices. In developing the revised Handbook, written comments were solicited from the Regions. In addition, three meetings were held with regional staff to discuss issues and resolve concerns. The revised Handbook will be effective beginning with the Fiscal Year 1986 review period except that March 21 and May 23 reporting dates for preliminary and final regressed error rates are effective for the Fiscal Year 1985 review period.

Retailers and Wholesalers

FNS has nearly completed its work on the development of the FNS Handbook 318, Participation of Authorized Firms in the Food Stamp Program. The Handbook is a compilation of 45 retailer-wholesaler instructions, plus operating policy memoranda and miscellaneous directives pertaining to firms, which are currently in use. The draft Handbook was distributed to applicable FNS staff nationwide for review and comment. The comments were analyzed and necessary changes to the Handbook were made. Since the Handbook is an assembly of all current information on the participation of firms, it will be a concise reference point for FNS staff nationwide and others who have need of the information, such as Regional and U.S. Attorneys. By having that information, plus applicable sections of the Food Stamp Program Regulations in one document, necessary revisions can be easily and quickly made. The final Handbook was released in November 1985.

Court Suit Activity in the Food Stamp Program

During Fiscal Year 1985, 110 court suits were filed against the Food Stamp Program. Thirty of these court suits were filed against USDA. There are presently 247 active cases. Major activities this year have included two suits appealed to the U.S. Supreme Court, one on the issue of mass changes in program procedures and the other on the question of religious objection to acquiring a Social Security Number. Several suits have been filed this year by State agencies contesting liability under the QC system. These suits have resulted in a lengthy discovery process which occupied staff time throughout the entire fiscal year. Several suits were filed involving the income treatment of various types of vendor payments in addition to continuing litigation on energy assistance vendor payments. Other major issues involved in litigation have been household composition, income and deductions, and liability for mail issuance losses.

Operation Awareness

Operation Awareness is a joint Federal-State effort which began March 1983 to reduce fraud, waste, and abuse in the Food Stamp Program. The effort is based on management initiatives supported by sharing information among States. The FNS role is to coordinate the exchange of information and provide technical assistance. Providing direction for the development and utilization of automated systems to improve the operation of the program was the focus of Fiscal Year 1985 efforts.

The State Exchange component of Operation Awareness is based on the premise that State agencies can often best solve their problems by sharing in the expertise of other State agencies. State Exchange funding was first provided in 1983 to reimburse State agency officials for the costs of visiting another State agency with known expertise in a particular area. In Fiscal Year 1983, $70,000 was made available to fund 35 exchanges. In Fiscal Year 1984, funding was increased to $100,000 to support more than 80 exchanges. In Fiscal Year 1985, funding was further increased to $150,000 to support more than 120 exchanges.

Operation Awareness supports a broad range of anti-fraud and abuse initiatives by the FNS National Office, its Regional Offices, and the State agencies. These have included technical assistance packages to State agencies dealing with topics such as error prevention and reduction strategies.

FNS sponsored a series of conferences with State agencies to affirm the Federal-State commitment to improved program management and to exchange information. In June 1985, Secretary John Block hosted the third national conference for State Welfare Commissioners. FNS jointly sponsored the conference with DHHS' Office of Family Assistance. An exposition of State agencies' automated systems was the highlight of the conference. Forty-nine State agencies were represented and 147 people attended. Eight State agencies received awards for exceptional performance in reducing fraud, waste, and abuse: Nevada, California, Vermont, South Dakota, Missouri, Indiana, New Jersey, and Tennessee. There were two bi-regional and one tri-regional office conferences on innovative ways to combat fraud, waste, and abuse. Over 600 people attended the regional conferences.

Information sharing has been enhanced with the State-to-State report, the Catalog of Improvement Activities, and the State Exchange Project. State-to-State is a magazine that highlights successful initiatives by various State and county governments. Each article lists a resource person who can be contacted for additional information. The report is circulated to local welfare offices, State agencies, and cooperating organizations across the country. Recent editions have included articles on Michigan's computer project, Texas' computer system called WELNET, photo IDs in Massachusetts, and Maryland's welfare fraud training course.

The Catalog of Program Improvement Activities is a compendium of over 250 food stamp anti-fraud and abuse activities that are taking place in local, State and Federal Governments. It is updated regularly, is organized by subject, and is sent to State agencies, FNS local offices, and others upon request. The catalog contains 21 sections on subjects such as front-end prevention, mail issuance, investigation/prosecutions, and recipient claims. From the numerous requests we have received for copies of the catalog, it is apparently becoming a valuable reference tool in many State agencies. Over 1,000 copies were distributed in Fiscal Year 1985.

Food Stamp Disaster Assistance

The Food Stamp Act of 1977 authorizes the Department to establish eligibility requirements for use during disasters. Although the emergency food stamp issuance procedures permit the suspension of normal program eligibility requirements, they provide for extensive screening of applicants. Income and assets limitations are to be applied and food stamps generally will not be issued to eligible households for periods of more than 30 days.

During Fiscal Year 1985, only one disaster necessitated food stamp issuance on an emergency basis. Due to flooding in Wyoming, 345 households were certified for emergency issuance of $33,000 in food stamps.

Demonstration, Research and Evaluation Projects

During Fiscal Year 1985, FNS conducted demonstration projects for testing an alternative system for issuing food stamp benefits and other measures directed at program simplification and fraud, waste, abuse, and error reduction.

Alternative Issuance

In July 1983, a contract was awarded to the Planning Research Corporation (PRC) to design, develop, test, and demonstrate an Electronic Benefit Transfer (EBT) Demonstration Project in Reading, Pennsylvania. The demonstration system eliminates the use of paper food stamps and authorization to participate (ATP) cards. It relies instead on an on-line electronic transfer of benefits for delivery to recipients and redemption at retail stores. Households certified under this system are issued uniquely identified plastic cards, similar to credit cards, in lieu of the current food stamps. At the store, the recipient presents his/her card and enters a unique personal identification number into a terminal that immediately debits the household's account at a centralized computer with the correct amount of purchase. The grocer's account at a designated bank will be credited with the same amount.

During Fiscal Year 1985, the EBT System became fully implemented. The demonstration, which is limited to the Reading area, became operational during October 1984 with the conversion of approximately one-third of the city's target households to the new system. The project will be 100 percent federally funded through March 1986. It will continue for up to two additional years with the Federal Government sharing costs with the State of Pennsylvania up to pre-established limits. Approximately 3,600 households and 120 retailers will participate in the demonstration. An evaluation report, presenting the findings on the cost and effectiveness of the issuance system through December 1985 and the feasibility of extending the system beyond the original four zip code areas, is expected to be released in the Fall of 1986.

Simplified Application Project

The 1981 Farm Bill authorized the Department to undertake a demonstration project which would simplify the food stamp eligibility and benefit determination processes. At the option of the sponsoring agency, households containing members receiving AFDC, SSI, or Medicaid would be project eligible. In lieu of completing a separate food stamp application, project-eligible households would have their food stamp eligibility determined using information contained in their AFDC, SSI, or Medicaid application. They would be considered categorically resource eligible, but would have to meet all other food stamp eligibility criteria, including the income standards. In determining household income, the sponsor could use gross income as determined for the appropriate categorical aid program, adding the amount of categorical aid received. The calculation of household benefits could be simplified by using either standardized deduction amounts or a standard benefit table based on the State standard of need and average deductions. Illinois began project operations October 1, 1983, and ceased in June 1985. Oklahoma and San Diego and Fresno Counties, California, began in the first half of calendar year 1984. The California projects have ceased operation, but Oklahoma has been granted a limited extension pending legislative action. Evaluation results will be available early in Fiscal Year 1986. The evaluation of the project will generally focus on administrative impact, error rate, and caseload composition.

Work Registration/Job Search Demonstration Project

The Department of Agriculture completed a two-part demonstration project in Fiscal Year 1984 which was conducted to identify work registration and job search procedures that are effective in placing food stamp work registrants into jobs. The first phase of the project (October 1981 - March 1983) involved three work-related demonstration models administered by State Employment Offices and one demonstration model operated by a State welfare agency. During this phase of the project, food stamp job search requirements were the responsibility of the Department of Labor. The second phase of project testing was from January 1983 through June 1984. This phase reflected the period when administrative responsibility for job search was transferred from the Department of Labor to State welfare agencies. Consequently, the four demonstration models tested in the second phase were administered solely by State welfare agencies.

The evaluation of the demonstration project is being conducted by Brandeis University and Abt Associates. The evaluation report on the initial demonstration sites has been issued. It confirmed that work registration/job search activities can successfully increase participant employment and earnings and reduce benefit costs. The most cost-effective treatments emphasized rigorous work program administration: moving people into job search quickly, sanctioning noncompliance promptly, and controlling administrative expenses. The evaluation report recommended requiring an in-person assessment with a job counselor as a condition of eligibility for able-bodied applicants. The report also recommended requiring employable participants to search for work and regularly monitoring job search efforts.

A final report, which provides comparative results related to testing under the first and second phases of the project, is being cleared by USDA for public distribution. Although a major portion of the first part of the demonstration was devoted to test models administered by the State Employment Service, which is no longer involved directly in the food stamp work requirement, FNS gained much useful information on the operation, effects, and costs of various work registration and job search strategies.

State and Local Demonstration Project Initiatives

In Fiscal Years 1984 and 1985, FNS funded three State-initiated demonstration projects to reduce fraud and error in certification for program benefits. North Carolina is testing a computer-assisted interview for people applying for food stamps. Vermont is testing the following two support strategies for eligibility workers: (1) a supervisory review system; and (2) Quality Circles, a management device for obtaining staff involvement in policy decisions. Maryland will test the use of brochures and video tapes to tell food stamp applicants what information they must report to caseworkers. The projects will be evaluated for the effects on certification error and potential transferability to other State agencies. This is one of many FNS actions in the "Operation Awareness" campaign to reduce program losses due to fraud, waste, and abuse.

Computer Wage Matching

This study was conducted in two phases. A grant for Phase I was awarded to study wage match systems in a variety of Food Stamp Program administrative environments and produced descriptions of different match operations and their costs. The second phase produced a cost/benefit analysis of wage matching at four sites which was released in early 1985.

Error Prevention

The Food Stamp Error Prevention Study is one part of FNS's efforts to ensure program integrity. As part of the study, a report analyzing the kinds, sources, and causes of errors present in food stamp cases was released in October 1984. The project will generate a data base on management practices and error control techniques employed in nearly 900 local food stamp offices. Analysis of this data will continue through Fiscal Year 1986.

Evaluation of the Effects of Legislative Changes

In May 1985, the Department issued "The Effects of Legislative Changes in 1981 and 1982 on the Food Stamp Program." The evaluation was conducted by the Urban Institute in response to a mandate in P.L. 97-253, the Food Stamp Act Amendments of 1982, to evaluate the effect of benefit reductions.

The evaluation examined food stamp caseloads and benefits over time with emphasis on the recent interaction of the Food Stamp Program with demographic trends, economic events, and other transfer programs. FNS worked closely with the Urban Institute to examine a wide variety of existing information and data gathered for this report. The study concluded that:

- The impact of the 1981 and 1982 legislation on caseloads, benefits, and costs was perceptible, but far less than previously anticipated. Impacts were primarily attributable to delays in planned cost-of-living adjustments. However, in 1983 maximum benefit levels were fully restored and deduction levels were substantially restored.
- The Food Stamp Program remains responsive to changes in the economy. However, the relationship between program levels and changes in the business cycle and unemployment levels is far more complex than previously thought.
- The legislative changes did not alter the demographic characteristics of the food stamp caseload. Long-term trends such as the decline in the number of elderly persons and earners continued.

Computerized Data Matching

Automated data matching is one of the most promising methods of verifying client circumstances. Through modern data processing technology, casefile information can be compared with other independent data bases. In Public Law 97-98, Congress mandated State agencies to match food stamp case file information against wage information filed with the Social Security Administration or agencies administering unemployment compensation no later than January 1, 1983. FNS has worked aggressively to ensure that State agencies implemented wage matching requirements and has continued to provide technical assistance to enhance State agencies' wage matching systems.

FNS is working with the Long Term Computer Matching Project of the President's Council on Integrity and Efficiency to develop a standardized format to facilitate matching between agencies. In addition, FNS is currently working with an interagency committee to develop rulemaking in response to the requirements of the Deficit Reduction Act of 1984 for matching various kinds of financial information in order to verify eligibility and benefits.

Successful computer matching is a key element of Operation Awareness. In addition to wage matching, States have initiated a wide range of matching strategies. The Catalog of Program Improvement Activities describes over 35 computer matching initiatives. In particular, State agencies are experimenting with interstate and front-end matching.

Several State agencies are developing on-line computerized certification systems which permit caseworkers to immediately match applicant information with other data bases. Alaska's new Eligibility and Issuance System, for instance, can access information about wage history and unemployment compensation during the eligibility interview. Such systems are a valuable new tool to enable caseworkers to detect problems before payment errors occur.

Anti-fraud Funding

In Fiscal Year 1985, FNS provided State agencies with $50.3 million in anti-fraud funding. Anti-fraud funding is designed to cover 75 percent of State costs in the area of investigation and prosecution of fraud cases and the collection of fraud claims. At present, 50 State agencies have been approved for 75 percent enhanced funding. Thirty-five State agencies have agreements or are negotiating agreements with State or local prosecutors to facilitate prosecution of cases and the imposition of food stamp disqualifications. During Fiscal Year 1984, the last year for which we have complete data, 7,455 persons were disqualified from the program as a result of prosecutions, and 17,281 were disqualified through administrative hearings.

Recipient Claims Collections

State agencies establish financial claims against households who are issued more benefits than they are entitled to receive. Claims are categorized according to their origin: intentional program violations by participants (fraud claims), inadvertent errors by households in reporting information on financial circumstances, or State agency errors in processing. State agencies are provided incentives for collecting claims by being permitted to retain 50 percent of all fraud claim collections and 25 percent of all collections of claims arising from inadvertent household error.

In the first half of 1985, recipient claims collections totalled almost $20 million, an increase of $8 million from the first two quarters of 1984. Nationally, 47 of the 53 State agencies recorded increases in claims collections. This continues an upward trend in which fraud claim collections rose 283 percent and non-fraud claim collections increased 150 percent between Fiscal Years 1981 and 1984.

Many States are strengthening their capability to collect claims. Common administrative improvements include establishing a central administrative unit to collect claims, automating claims monitoring and reporting, and intercepting State income tax refunds.

Error Rate Liability System and Enhanced Funding

During the April through September 1981 reporting period, eight State agencies were granted enhanced funding for having low QC error rates. The total amount of additional funding was over $5 million. During the same period, 12 State agencies had excessive QC error rates above statutory targets. Five States and Guam qualified for waivers of their liability. The remaining six State agencies were billed for over $8 million. Each of these agencies requested and was granted an administrative review. The Department was sustained in three cases and overruled in the other three. The three State agencies that lost on administrative appeal are seeking judicial review. One State has already paid a $1.3 million sanction; the collection of the other two sanctions is pending the outcome of the judicial appeals.

During the October 1981 through March 1982 reporting period, six State agencies were granted enhanced funding for their low QC error rates. A total of $2,488,142 in enhanced funding was provided. Twelve State agencies had excessive error rates above statutory targets. Seven of these State agencies qualified for waivers of their liability. The five remaining State agencies are liable for a total of $6,021,678. These five State agencies requested administrative hearings regarding their liability. Two State agencies have not been scheduled for a hearing yet. Three hearings have been conducted. FNS was overruled in one and sustained in two. One of those two State agencies had requested judicial review at the end of the fiscal year, the other did not.

During the April through September 1982 reporting period, seven State agencies qualified for a total of $2,700,319 in enhanced funding. Nine State agencies had excessive error rates and were potentially subject to sanctions totalling $6,811,989. While seven State agencies qualified for a waiver of their liability, two other State agencies remain subject to a sanction of $2,161,730. These two State agencies have requested an administrative hearing.

During Fiscal Year 1983, one State agency qualified for $383,252 in enhanced funding. Thirteen State agencies had excessive error rates and are subject to a total sanction of $12,974,961. Each of these State agencies has been notified and has requested a waiver of its liability.

The following table summarizes QC Sanctions and Enhanced Funding activities:

SUMMARY OF QC SANCTIONS AND ENHANCED FUNDING

QC PERIOD	NAT'L PAYMENT ERROR RATE	ENHANCED FUNDING NUMBER OF STATES	ENHANCED FUNDING AMOUNT AWARDED	LIABILITY # OF STATES	TOTAL POTENTIAL SANCTIONS	SANCTIONS AFTER WAIVERS/APPEALS
APRIL-SEPT 1981	9.40	8	5,228,070	12	12,256,197	3,722,853
OCT-MARCH 1982	9.79	6	2,488,142	12	9,009,007	3,995,398
APRIL-SEPT 1982	9.19	7	2,700,319	9	6,811,989	2,161,730
FY 1983	8.37	1	383,252	13	12,974,961	* *
TOTAL			10,799,783		41,052,154	9,879,981

* * WAIVER DETERMINATIONS PENDING

AIB:FOS

National QC data demonstrate an increasing payment accuracy. Overpayments accounted for 9.9 percent of all issuances in Fiscal Year 1981, 9.6 percent of Fiscal Year 1982 issuances, and 8.37 percent of Fiscal Year 1983 issuances.

Issuance

FNS continues to work closely with State agencies to strengthen the integrity of the coupon issuance system. FNS' commitment is twofold: to enhance the security of existing issuance systems and to facilitate the use of more effective methods of benefit delivery. Dramatic gains have been realized. Both mail issuance and ATP issuance losses are down substantially, having fallen for three consecutive reporting periods. More and more State agencies are adopting modern issuance methods which offer greater security. Pennsylvania, Kentucky, Illinois, Indiana, Ohio, and Wisconsin are now using direct delivery systems that eliminate the ATP. Colorado, Michigan, and Florida now rely primarily on on-line issuance systems in which a computer monitors ATP transactions to prevent duplicate issuances. Several counties in California have converted to on-line issuance. The Reading, Pennsylvania, pilot project testing electronic benefits transfer is described in the section on demonstration projects.

ATP Issuance

Statistics for the first half of 1985 show a continued steady decrease in losses due to unauthorized duplicate issuance. During this period, ATP issuance accounted for 55 percent of all benefits delivered. ATP replacements amounted to .17 percent of ATP issuance in Fiscal Year 1981. This loss rate dropped to .16 percent in Fiscal Year 1982 and fell to .08 percent in Fiscal Year 1983, and to .05 percent in Fiscal Year 1984. In the first half of Fiscal Year 1985, the loss rate continued at .05 percent which was less than one-third its Fiscal Year 1981 level. Many of the larger State agencies registered the sharpest decrease. Progress can be attributed to the use of more secure ATP systems in high risk metropolitan areas. Various State agencies require a photo identification card, or a serialized identification card, or two pieces of identification, or use ATPs with short expiration periods.

Mail Issuance

The first half of Fiscal Year 1985 showed the continuation of the Food Stamp Program's trend toward lower losses of food stamps issued through the mail. During this period, 31 percent of all benefits were delivered by mail. The mail issuance loss rate dropped approximately 10 percent from the rate in Fiscal Year 1984. In Fiscal Year 1981, the mail issuance loss rate was 1.07 percent. This rate for the first half of Fiscal Year 1985 fell to .28 percent - about one-fourth its Fiscal Year 1981 level. Improved State agency controls and the sharing of liability for losses with the State agencies, authorized by P.L. 97-98, the Food and Agriculture Act of 1981, were contributing factors. State agencies are monitoring mail issuance administrative costs and issuance losses and switching to more secure issuance systems in high risk areas.

Job Search Activities

In Fiscal Year 1985, FNS contracted with 39 State agencies to provide job search services to Food Stamp Program work registrants. These State agencies were awarded appoximately $27.4 million for all aspects of job search. These funds supplement a wide range of employment assistance already available to food stamp recipients from the State employment service and other Federal programs.

Approximately 900,000 work registrants were referred for employability assessments of which about 600,000 were assessed. Almost 82 percent of those assessed were determined to be job ready. About 76 percent of those determined job ready performed job search. Approximately 27 percent of those who performed job search were placed in jobs.

Workfare

Workfare programs require able-bodied recipients to perform public service jobs in exchange for their food stamp allotments. At the end of Fiscal Year 1985, 19 communities were operating an Optional Workfare Program. The following chart displays workfare operations through the first three quarters of Fiscal Year 1985 for the 17 sites which were in operation during this time period:

Workfare Site	Individuals Assigned to Jobs 10/1/84 - 6/30/85	Hours Worked 10/1/84 - 6/30/85	Administrative Costs to Federal Government Fiscal Year 1985
ARKANSAS	1,700	42,524	$65,783
Benton County	-	-	-
Lonoke County	-	-	-
Polk County	-	-	-
Scott County	-	-	-
CALIFORNIA			383,548
Plumas County	1,019	17,418	-
San Diego County	8,208	120,063	-
FLORIDA			
City of Pensacola 1/	95	1,019	21,217
ILLINOIS			
Cook County	9,618	979,191	382,676
NORTH CAROLINA			51,769
Alamance County 2/	67	2,990	-
Ashe County	243	7,623	-
Moore County	36	3,226	-
SOUTH CAROLINA			61,349
Berkeley County	1,545	36,563	-
Greenville County	1,979	59,974	-
VIRGINIA			
City of Danville	154	8,385	21,178
WASHINGTON			15,096
Pierce County	596	24,816	-
Spokane County	360	18,767	-
WISCONSIN			3/
Taylor County	489	9,188	-
TOTAL	26,109	1,331,747	$1,002,616 4/

1/ Began Workfare third quarter FY 1985

2/ Began Workfare second quarter FY 1985

3/ Administrative costs not reported separately from other costs

4/ Does not include Wisconsin

National Retailer Compliance Campaign

During Fiscal Year 1985, FNS initiated a National Retailer Compliance Campaign (NARCC) to test various methods to reduce the propensity to violate by participating retail food stores. The campaign stressed both education and deterrence components and included both one-time efforts and individual activities extending over a period of months. Although several of the activities are continuing and the evaluations are not yet complete on others, the NARCC campaign appears to be a success.

Compliance Branch Investigations

With an average staff of 49 investigators during Fiscal Year 1985, the Compliance Branch distributed reports for 5,237 investigations, an increase of approximately 12 percent over the prior fiscal year. Approximately 53.5 percent of the completed investigations disclosed some evidence of violation, and 30.6 percent revealed violations that warrant potential disqualification of retail firms from the Food Stamp Program.

Other Compliance Branch Activities

The Compliance Branch conducted a survey in six field offices in the Midwest Region to determine the effect sanctions have on firms that have been disqualified or assessed civil money penalties.

Another activity of the Compliance Branch was to conduct a series of investigations on firms with high redemptions. Prior to the investigations, the firms were sent warning letters. However, the firms were not visited by FNS field staff as is normally done. The purpose of their investigations was to determine the effect on the results of investigations of a written warning alone compared to a visit and warning.

Procedures were developed and tested for investigating certain types of firms that, because of the nature of their business, cannot be effectively investigated using a more traditional investigative approach.

A project was undertaken to determine the effect that preliminary investigative activities have on the results of investigations.

During Fiscal Year 1985, a contract was negotiated for the development of an automated system for management of the Compliance Branch.

FOOD STAMP PROGRAM
SUMMARY OF BENEFIT COSTS, PARTICIPATION AND STATE ADMINISTRATIVE FUNDING

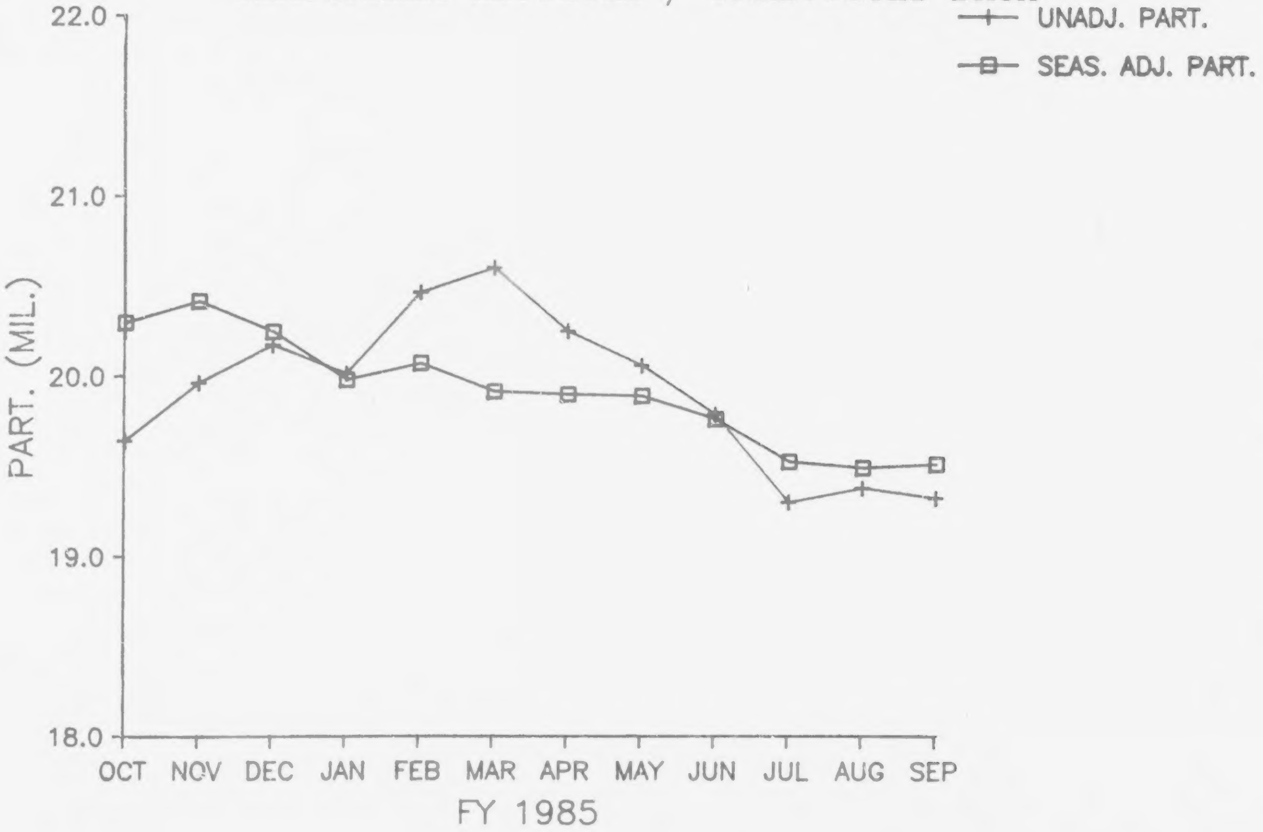
FISCAL YEAR 1985

STATE	AVERAGE MONTHLY PARTICIPATION		BENEFIT VALUE OF STAMPS ISSUED ($000)	AVERAGE BENEFIT PER PERSON PER MONTH	STATE ADMINISTRATIVE FUNDING ($000)
	PERSONS (000)	HOUSEHOLDS (000)			
Alabama	588	208	$318,142	$45.08	$15,131
Alaska	22	7	24,580	93.07	5,040
Arizona	206	68	121,138	49.05	19,017
Arkansas	253	90	125,721	41.43	9,754
California	1,615	551	640,033	33.02	99,412
Colorado	170	63	93,961	45.94	4,954
Connecticut	145	55	62,249	35.88	8,355
Delaware	40	15	21,580	44.87	1,695
District of Columbia	72	30	40,006	46.07	5,645
Florida	630	239	367,959	48.70	28,257
Georgia	567	196	289,586	42.53	27,666
Hawaii	99	37	92,900	78.43	5,157
Idaho	59	20	35,687	50.43	2,985
Illinois	1,110	430	713,132	53.53	26,814
Indiana	406	136	241,603	49.59	13,560
Iowa	203	76	107,305	44.10	8,888
Kansas	119	45	64,331	45.23	5,135
Kentucky	560	191	332,048	49.38	15,692
Louisiana	644	211	366,047	47.37	23,591
Maine	114	46	61,887	45.31	4,690
Maryland	291	116	171,623	49.16	18,830
Massachusetts	337	141	172,927	42.75	20,332
Michigan	985	408	541,560	45.83	22,939
Minnesota	228	90	104,606	38.15	11,495
Mississippi	495	159	263,766	44.43	13,233
Missouri	362	128	212,131	48.86	17,389
Montana	58	21	31,149	44.41	2,464
Nebraska	94	34	44,106	38.98	3,905
Nevada	32	14	21,631	55.91	2,229
New Hampshire	28	12	14,625	43.05	1,507
New Jersey	464	170	260,106	46.76	29,039
New Mexico	157	50	88,273	46.85	8,887
New York	1,834	754	939,488	42.68	116,667
North Carolina	474	172	236,950	41.64	20,662
North Dakota	33	11	15,753	39.90	1,747
Ohio	1,133	445	699,556	51.45	29,685
Oklahoma	263	100	133,602	42.40	12,974
Oregon	228	94	141,782	51.72	11,850
Pennsylvania	1,032	411	546,621	44.13	34,984
Rhode Island	69	29	35,169	42.26	2,847
South Carolina	373	127	194,168	43.35	16,244
South Dakota	48	15	25,873	44.91	3,345
Tennessee	518	187	280,475	45.10	22,852
Texas	1,263	393	700,944	46.25	67,608
Utah	75	25	39,700	44.01	4,704
Vermont	44	18	20,067	38.28	1,309
Virginia	360	137	188,869	43.69	14,941
Washington	281	111	140,480	41.62	13,484
West Virginia	278	93	159,321	47.76	5,913
Wisconsin	363	129	147,997	34.00	10,264
Wyoming	27	10	14,872	45.69	1,599
American Samoa	0	0	0	.00	0
Guam	20	5	18,316	75.94	597
N. Mariana Islands	4	1	3,000	60.62	700
Puerto Rico	0	0	0	.00	0
Trust Territory	0	0	0	.00	3,286
Virgin Islands	32	8	23,061	60.19	876
TOTAL	19,907	7,332	$10,752,463	$45.01	$882,825

NOTE: THESE DATA ARE BASED IN PART ON PRELIMINARY DATA SUBMITTED BY STATE AND LOCAL AGENCIES AND ARE SUBJECT TO CHANGE AS REVISED REPORTS ARE RECEIVED.

FOOD STAMP PARTICIPATION TRENDS

SEASONALLY ADJUSTED / UNADJUSTED DATA



FOOD STAMP PROGRAM
RETAILER-WHOLESALER ACTIVITY
FISCAL YEAR 1985

REGION/STATE	MONITORING VISITS	COMPLIANCE VISITS	TOTAL # OF VISITS	COMPLIANCE LETTERS
NORTHEAST				
Connecticut	624	83	707	83
Maine	630	25	655	25
Massachusetts	1,127	43	1,170	43
New Hampshire	193	32	225	19
New York	3,490	638	4,128	638
Rhode Island	398	57	455	57
Vermont	197	48	245	22
SUB TOTAL	6,659	926	7,585	887
MID-ATLANTIC				
Delaware	358	25	383	10
Dist Columbia	217	12	229	6
Maryland	1,110	158	1,268	75
New Jersey	1,285	457	1,742	172
Pennsylvania	7,668	612	8,280	409
Virginia	2,309	249	2,558	179
Virgin Islands	63	46	109	17
West Virginia	1,850	102	1,952	95
SUB-TOTAL	14,860	1,661	16,521	963
SOUTHEAST				
Alabama	889	612	1,501	377
Florida	1,039	440	1,479	352
Georgia	189	270	459	187
Kentucky	383	311	694	232
Mississippi	302	211	513	173
North Carolina	679	182	861	185
South Carolina	53	194	247	144
Tennessee	945	477	1,422	304
SUB-TOTAL	4,479	2,697	7,176	1,954
MIDWEST				
Illinois	3,074	674	3,748	674
Indiana	1,365	93	1,458	93
Michigan	1,503	209	1,712	199
Minnesota	333	137	470	135
Ohio	1,653	257	1,910	257
Wisconsin	1,043	188	1,231	188
SUB-TOTAL	8,971	1,558	10,529	1,546
SOUTHWEST				
Arkansas	1,704	260	1,964	95
Louisiana	2,797	389	3,186	179
New Mexico	528	112	640	32
Oklahoma	676	241	917	39
Texas	3,482	2,241	5,723	572
SUB-TOTAL	9,187	3,243	12,430	917
MOUNTAIN PLAINS				
Colorado	892	103	995	103
Iowa	1,835	19	1,854	19
Kansas	1,159	13	1,172	13
Missouri	3,348	140	3,488	140
Montana	691	19	710	19
Nebraska	1,331	63	1,394	63
North Dakota	618	32	650	32
South Dakota	710	56	766	56
Utah	1,012	17	1,029	17
Wyoming	446	2	448	2
SUB-TOTAL	12,042	464	12,506	464
WESTERN				
Alaska	43	13	56	13
Arizona	968	158	1,126	158
California	4,899	648	5,547	638
Guam	55	29	84	29
Hawaii	329	31	360	34
Idaho	182	30	212	17
Nevada	165	15	180	10
Oregon	373	122	495	63
Washington	329	97	426	84
SUB-TOTAL	7,343	1,143	8,486	1,046
TOTAL	63,541	11,692	75,233	7,777

FIRMS AUTHORIZED TO RECEIVE AND REDEEM FOOD STAMPS
FISCAL YEAR 1985

STATE	RETAILERS	WHOLE-SALERS	MEALS/ WHEELS	COMM DINE	ALCOHOL, DRG TREAT & COMB TREAT	PRIVATE REST	GROUP LIV	TOTAL
ALABAMA	6799	8	3	19	15	6	1	6851
ALASKA	686	2	2	2	2	0	0	694
ARIZONA	2144	4	41	27	5	1	0	2222
ARKANSAS	3693	8	5	33	11	1	1	3752
CALIFORNIA	17466	42	17	59	107	0	0	17691
COLORADO	1896	7	31	34	11	0	0	1979
CONNECTICUT	2136	5	20	17	11	0	1	2190
DELAWARE	561	0	3	2	0	0	0	566
D.C.	668	0	3	4	3	0	0	678
FLORIDA	10770	34	30	73	51	43	9	11010
GEORGIA	7951	0	14	89	12	0	0	8066
GUAM	185	0	0	0	0	0	0	185
HAWAII	1125	10	2	5	10	42	0	1194
IDAHO	931	0	9	8	0	1	0	949
ILLINOIS	7537	6	62	64	4	0	0	7673
INDIANA	3726	7	35	22	6	19	0	3815
IOWA	2522	0	97	14	0	18	0	2651
KANSAS	1556	2	38	17	4	0	0	1617
KENTUCKY	6363	1	4	13	2	0	0	6383
LOUISIANA	6647	7	12	64	5	0	0	6735
MAINE	2352	1	11	27	6	0	0	2397
MARYLAND	3490	12	15	21	16	0	0	3554
MASSACHUSETTS	4646	5	28	25	53	1	1	4759
MICHIGAN	8914	2	27	75	11	0	1	9030
MINNESOTA	3492	2	56	22	2	0	0	3574
MISSISSIPPI	5777	0	12	18	5	0	0	5812
MISSOURI	4241	0	27	63	0	0	0	4331
MONTANA	900	0	12	30	0	0	0	942
NEBRASKA	1163	0	3	4	0	0	0	1170
NEVADA	494	0	2	10	2	0	0	508
NEW HAMPSHIRE	1019	0	8	6	3	0	1	1037
NEW JERSEY	6158	11	50	47	23	0	3	6292
NEW MEXICO	1435	2	7	10	1	0	0	1455
NEW YORK	16279	35	87	147	64	193	1	16806
N. CAROLINA	9463	8	45	90	16	0	0	9622
N. DAKOTA	773	1	28	32	0	0	0	834
OHIO	8808	6	74	77	7	0	0	8972
OKLAHOMA	2773	5	11	28	4	0	0	2821
OREGON	2969	4	22	32	6	17	0	3050
PENNSYLVANIA	11927	21	107	63	34	0	0	12152
RHODE ISLAND	941	3	3	4	7	0	0	958
S. CAROLINA	5497	0	14	60	14	0	0	5585
S. DAKOTA	784	0	12	15	0	7	0	818
TENNESSEE	7208	6	17	27	15	0	1	7274
TEXAS	14618	28	20	65	32	0	0	14763
UTAH	996	5	6	9	10	0	0	1026
VERMONT	867	2	6	1	1	0	0	877
VIRGINIA	6317	6	11	32	22	0	0	6388
VIRGIN ISLANDS	225	0	1	2	0	0	0	228
WASHINGTON	3825	3	19	34	1	0	0	3882
W. VIRGINIA	3160	0	13	38	1	0	0	3212
WISCONSIN	3139	0	1	10	0	2	0	3152
WYOMING	332	0	7	4	0	1	0	344
TOTAL	230344	311	1190	1694	615	352	20	234526

Food Stamp Program
NUMBER OF ISSUANCE REPORTING POINTS NATIONWIDE

Fiscal Year 1985

State	Gov't	Banks	Post Off.	Credit Union	CK Cash/ Money Exch	Other	Total
Alabama	67	0	0	0	0	2	69
Alaska	1	0	1	0	0	7	9
Arizona	1	0	0	0	0	0	1
Arkansas	1	0	0	0	0	0	1
California	46	2	19	1	5	26	99
Colorado	56	0	0	0	0	0	56
Connecticut	2	76	0	11	0	11	100
Delaware	0	54	0	0	0	1	55
Dist. of Col.	8	19	0	5	6	22	60
Florida	66	0	0	0	0	0	66
Georgia	83	7	4	0	0	6	100
Hawaii	0	8	0	0	0	0	8
Idaho	8	1	2	0	0	1	12
Illinois	104	0	0	0	0	0	104
Indiana	89	6	0	0	0	3	98
Iowa	101	0	0	0	0	0	101
Kansas	107	1	0	0	0	0	108
Kentucky	125	0	0	0	0	0	125
Louisiana	64	0	0	0	0	0	64
Maine	1	0	0	0	0	0	1
Maryland	23	6	0	1	23	9	62
Massachusetts	7	0	0	0	0	0	7
Michigan	85	0	2	0	0	2	89
Minnesota	82	27	0	0	0	6	115
Mississippi	83	0	0	0	0	1	84
Missouri	115	2	2	1	3	1	124
Montana	50	1	2	0	0	5	58
Nebraska	76	0	0	0	0	0	76
Nevada	0	0	0	0	0	2	2
New Hampshire	1	0	0	0	0	0	1
New Jersey	0	296	0	0	33	13	342
New Mexico	7	0	0	0	0	0	7
New York	6	376	0	0	11	9	402
North Carolina	49	24	4	0	0	16	93
North Dakota	51	0	0	0	0	0	51
Ohio	62	41	0	0	27	28	158
Oklahoma	13	0	2	0	0	0	15
Oregon	1	0	4	0	0	4	9
Pennsylvania	67	0	0	0	1	8	76
Rhode Island	1	0	0	0	0	0	1
South Carolina	46	0	2	0	0	1	49
South Dakota	67	0	0	0	0	0	67
Tennessee	96	0	0	0	0	0	96
Texas	0	1	11	0	15	2	29
Utah	22	0	0	0	0	1	23
Vermont	1	0	0	0	0	0	1
Virginia	119	40	0	0	5	12	176
Washington	49	2	4	0	0	5	60
West Virginia	1	0	0	0	0	0	1
Wisconsin	73	0	0	0	0	5	78
Wyoming	2	0	0	0	0	0	2
American Samoa							
Guam	0	1	0	0	0	0	1
N. Mariana Islands							
Puerto Rico							
Trust Territory							
Virgin Islands	2	0	0	0	0	0	2
Total	2,187	991	59	19	129	209	3,594

FOOD STAMP PROGRAM
COMPLIANCE INVESTIGATIONS

FISCAL YEAR 1985

STATE/TERRITORY	POSITIVE CASES (VIOLATIONS)	NEGATIVE CASES (NO VIOLATIONS)	TOTAL INVEST.
ALABAMA...........	102	152	254
ALASKA............	0	0	0
ARIZONA...........	16	34	50
ARKANSAS..........	24	23	47
CALIFORNIA........	194	269	463
COLORADO..........	10	32	42
CONNECTICUT.......	37	10	47
DELAWARE..........	6	5	11
DIST. OF COLUMBIA.	16	6	22
FLORIDA...........	172	151	323
GEORGIA...........	115	114	229
HAWAII............	20	18	38
IDAHO.............	1	0	1
ILLINOIS..........	51	54	105
INDIANA...........	15	13	28
IOWA..............	3	5	8
KANSAS............	13	8	21
KENTUCKY..........	109	109	218
LOUISIANA.........	121	79	200
MAINE.............	16	9	25
MARYLAND..........	62	61	123
MASSACHUSETTS.....	40	36	76
MICHIGAN..........	106	81	187
MINNESOTA.........	26	30	56
MISSISSIPPI.......	108	93	201
MISSOURI..........	79	82	161
MONTANA...........	0	0	0
NEBRASKA..........	5	14	19
NEVADA............	13	7	20
NEW HAMPSHIRE.....	5	9	14
NEW JERSEY........	90	46	136
NEW MEXICO........	4	28	32
NEW YORK..........	252	104	356
NORTH CAROLINA....	89	79	168
NORTH DAKOTA......	15	15	30
OHIO..............	98	104	202
OKLAHOMA..........	9	8	17
OREGON............	40	28	68
PENNSYLVANIA......	131	70	201
RHODE ISLAND......	17	16	33
SOUTH CAROLINA....	34	57	91
SOUTH DAKOTA......	0	7	7
TENNESSEE.........	145	67	212
TEXAS.............	170	207	377

FOOD STAMP PROGRAM
COMPLIANCE INVESTIGATIONS

FISCAL YEAR 1985

STATE/TERRITORY	POSITIVE CASES (VIOLATIONS)	NEGATIVE CASES (NO VIOLATIONS)	TOTAL INVEST.
UTAH..............	0	0	0
VERMONT...........	1	2	3
VIRGINIA..........	94	39	133
WASHINGTON........	61	20	81
WEST VIRGINIA.....	33	27	60
WISCONSIN.........	30	11	41
WYOMING...........	0	0	0
AMERICAN SAMOA....	0	0	0
GUAM..............	0	0	0
N. MARIANA ISLANDS	0	0	0
PUERTO RICO.......	0	0	0
TRUST TERRITORY...	0	0	0
VIRGIN ISLANDS....	0	0	0
INDIAN TRIBES.....	0	0	0
TOTAL........	2,798	2,439	5,237

FOOD AND NUTRITION SERVICE

The estimates include no proposed changes in the language for this item.

Nutrition Assistance for Puerto Rico:

For monthly payments to the Commonwealth of Puerto Rico for nutrition assistance as authorized by 7 U.S.C. 2028, $825,000,000.

NUTRITION ASSISTANCE FOR PUERTO RICO

Appropriations Act, 1986		$825,000,000
Budget Estimate, 1987		825,000,000
Change in Appropriation		--
Adjustments in 1986		
Appropriations Act, 1986	$825,000,000	
Less Pro-Rata Reduction, P.L. 99-190	-4,950,000	
Net Appropriations	820,050,000	
Adjusted base for 1986		820,050,000
Budget Estimate, 1987		825,000,000
Increase over adjusted 1986		+4,950,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Change	1987 Estimated
Nutrition Assistance for Puerto Rico	$820,050,000	+$4,950,000	$825,000,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Nutrition Assistance for Puerto Rico	$ 825,000,000	$ 820,050,000	+4,950,000 (1)	$ 825,000,000

EXPLANATION OF PROGRAM

Authorized by section 116(a) of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), a grant for nutrition assistance to Puerto Rico was implemented July 1, 1982. This grant, which replaced the Food Stamp Program in Puerto Rico, gives the Commonwealth broad flexibility to establish a food assistance program that is specifically tailored to the needs of its low-income households. However, the Commonwealth must submit its annual plan of operation to the Secretary for approval. The Food Security Act of 1985 (P.L. 99-198), enacted December 23, 1985, reauthorizes appropriations through Fiscal Year 1990.

In addition to the provision of direct benefits to the needy, a portion of the grant may be used to fund up to 50 percent of the costs of administering the program. The grant may also be used to fund projects to improve agriculture and food distribution in Puerto Rico. Three such projects were funded in Fiscal Year 1985 and a fourth was curtailed during Fiscal Year 1985.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $4,950,000 in the appropriation for Nutrition Assistance for Puerto Rico ($820,050,000 available in 1986).

NUTRITION ASSISTANCE FOR PUERTO RICO

STATUS OF PROGRAM

As required by P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981, the Food Stamp Program in the Commonwealth of Puerto Rico was replaced with a block grant effective July 1, 1982. Using the flexibility afforded by the grant, Puerto Rico, with USDA's approval, established a food assistance check delivery system which now serves in place of the traditional coupon delivery system. The Omnibus Budget Reconciliation Act of 1982, Public Law 97-253, includes a provision which requires the use of non-cash nutrition assistance in the Commonwealth of Puerto Rico after Fiscal Year 1983. The implementation of this provision was suspended through September 30, 1985, by P.L. 98-204. The non-cash provision was then deleted by the Food Security Act of 1985 (P.L. 99-198).

Selected Examples of Recent Progress:

During Fiscal Year 1985, an average of 1.48 million persons per month in 402,000 households participated in the program. Total benefit costs for the fiscal year were $789.4 million for an average monthly benefit of $44.44 per person for the year. Average benefits fluctuated from month to month depending upon participation, claims collection, or the cancellation of special projects. Total administrative costs were approximately $23 million.

Special Projects:

The Conference Report, House Report No. 97-208 on the Omnibus Budget Reconciliation Act of 1981, states that "...it would be permissible to employ a small proportion of the block grant funds to finance projects...to improve or stimulate agriculture, food production, and food distribution...which will increase the self-sufficiency and nutritional standard of needy citizens..." in Puerto Rico. Pursuant to this provision, the Commonwealth has funded three projects in Fiscal Year 1985 at a cost of $14.1 million. A fourth project, the Agro-Industrial Loan Fund, was curtailed during Fiscal Year 1985 prior to the onset of loan issuance. Fiscal Year 1985 costs were $0.4 million.

The special projects funded under the above provision are as follows:

-- Tick Eradication Project. The objective of this project is to carry out appropriate treatment and control activities directed toward the enhancement of livestock productivity through the island-wide eradication of ticks. The Fiscal Year 1985 costs were $8.3 million.

-- Crop Protection Project. This project's objective is to reduce crop losses through appropriate training, treatment, and control activities designed to assist farmers in protecting crops from insect damage. The Fiscal Year 1985 costs were $3.2 million.

-- Nutrition Education Project. The objective of this project is to instruct and inform the needy and the general public in the areas of nutrition and family budgeting. This effort involves the distribution of educational materials, group training sessions and the financing of media spots. The costs were $2.6 million during Fiscal Year 1985.

Evaluation of Puerto Rico's Nutrition Assistance Program

The evaluation of Puerto Rico's Nutrition Assistance Program (NAP) was submitted by the contractor, Mathematica Policy Research, in May 1985. The evaluation was mandated by P.L. 98-204 (approved December 2, 1983). The primary objective of this evaluation was to analyze the effects of the NAP on food expenditures and diet quality. The effects of NAP's cash issuance provision were analyzed separately from the effects of NAP's restrictions on program eligibility and the level of benefits. The evaluation used two measures of household food expenditures--total food expenditure, which includes food used at home and away from home, and the money value of food used at home--and several measures of diet quality. The anaylsis using these measures consistently shows that NAP, and particularly the cash issuance components of NAP, did not lead to major changes in household food expenditures or diet quality. In particular, while NAP led to a small reduction in the total food expenditure of households, the change to cash issuance itself had no effect. Other measures of household food expenditure and nutrient availability showed small declines due to NAP and smaller still due to cash issuance.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows, (new language underscored; deleted material enclosed in brackets):

[Food Donations Program] Cash and Commodities for Selected Groups:

1 For [necessary expenses to carry out] commodities and necessary
administrative expenses under section 4(a) of the Agriculture and
Consumer Protection Act of 1973 (7 U.S.C. 612c (note)) and section 4(b)
2 of the Food Stamp Act (7 U.S.C. 2013), [$194,573,000, of which up to
$7,000,000 may be used to pay outstanding claims for meals served in
3 fiscal year 1985] $55,300,000; and in addition for cash subsidies
and commodities under section 311 of the Older Americans Act of 1965 (42
4 U.S.C. 303a), $132,000,000: Provided, That funds available under this
heading shall not be available for program costs incurred by the Marshall
Islands and the Federated States of Micronesia.

The first change clarifies the purposes for which these funds are to be used.

The second change deletes language which applies only to Fiscal Year 1986.

The third change specifies the amount of funds to be appropriated for the activities funded from this account.

The fourth change eliminates authorization for payments to the Marshall Islands and the Federated States of Micronesia.

CASH AND COMMODITIES FOR SELECTED GROUPS

Appropriations Act, 1986		$194,573,000
Budget Estimate, 1987		187,300,000
Decrease in Appropriation		-7,273,000
Adjustments in 1986:		
Appropriations Act, 1986	$194,573,000	
Less Pro-Rata Reduction, P.L. 99-190	-1,168,000	
Net Appropriations	193,405,000	
Adjusted base for 1986		$193,405,000
Budget Estimate, 1987		187,300,000
Decrease from adjusted 1986		-6,105,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Needy Family Program:			
Commodities in lieu of food stamps	$40,372,000	-$867,000	$39,505,000
Payments to distributing agencies for administration	16,060,000	-265,000	15,795,000
Total, Needy Family Program	56,432,000	-1,132,000	55,300,000
Elderly Feeding Program	136,973,000	-4,973,000	132,000,000
Total, Available	193,405,000	-6,105,000	187,300,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Needy Family Program:				
Commodities in lieu of food stamps	$7,485,660	$40,372,000	-$867,000	$39,505,000
Payments to distributing agencies for administration	16,060,340	16,060,000	-265,000	15,795,000
Total, Needy Family Program	23,546,000	56,432,000	-1,132,000(1)	55,300,000
Elderly Feeding Program:				
(a) Commodities	7,000,000	5,000,000	--	5,000,000
(b) Cash in lieu of commodities	109,000,000	131,973,000	-4,973,000(2)	127,000,000
Total, Elderly Feeding Program	116,000,000	136,973,000 a/	-4,973,000	132,000,000
Total, Appropriation	139,546,000	193,405,000	-6,105,000	187,300,000

a/ A request has been submitted to the Congress to rescind $5,183,000.

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Needy Family Program:				
Commodities in lieu of food stamps	$24,965,337	$40,075,000	-$570,000	$39,505,000
Payments to distributing agencies for administration	14,619,116	15,300,000	+495,000	15,795,000
Total, Needy Family Program	39,584,453	55,375,000	-75,000	55,300,000
Elderly Feeding Program:				
(a) Commodities	9,624,028	5,000,000	--	5,000,000
(b) Cash in lieu of commodities	111,175,966	131,973,000	-4,973,000	127,000,000
Total, Elderly Feeding Program	120,799,994	136,973,000 a/	-4,973,000	132,000,000
Total Obligations	160,384,447	192,348,000	-5,048,000	187,300,000
Unobligated balances:				
Available, start of year	-21,556,391	--	--	--
Lapsing	717,944	1,057,000	-1,057,000	--
Total, Appropriation	139,546,000	193,405,000	6,105,000	187,300,000

a/ A request has been submitted to the Congress to rescind $5,183,000.

EXPLANATION OF PROGRAM

The Cash and Commodities for Selected Groups appropriation funds two distinct distribution programs -- the Needy Family Program on Indian Reservations and in the Republic of Palau, a Trust Territory of the Pacific, and the Nutrition Program for the Elderly.

Needy Family Programs on Indian Reservations and in the Trust Territory. The Food and Agriculture Act of 1977 authorized low-income households access to a more nutritious diet by providing for the distribution of agricultural commodities to eligible needy persons residing on or near Indian reservations and in the Republic of Palau, a Trust Territory of the Pacific. This Act requires that a food distribution program be established on Indian reservations if the Indian tribal organization requests the program, and, further, that if the tribal organization applies to administer the program itself and is determined capable, it may do so in lieu of administration by the State agency. P.L. 97-98 and program regulations authorized low-income Indian households not living on reservations to participate in this program.

In Fiscal Year 1986 Indian program participation is expected to average about 136,317 while participation in the Trust Territory will average about 4,120 persons each month.

The foods made available to the distributing agencies include canned meat, fruit, vegetables and juice, flour, rice, evaporated milk, dry milk and shortening. To the extent that surplus price-support commodities are available and can be used without waste, the Commodity Credit Corporation (CCC) donates them for use in this program. In Fiscal Year 1986 the cost of the food package distributed on Indian reservations will average about $31.87 per person per month while the food package distributed in the Trust Territory will average about $18.44. These package costs include the value of commodities donated by CCC.

Cash payments are made to distributing agencies to assist them in meeting the administrative expenses incurred in operating a food distribution program. Included among these costs are local warehousing and transportation of commodities, utilities, salaries and equipment.

Nutrition Program for the Elderly

Commodity support for the Nutrition Program for the Elderly is authorized by Titles III and VI of the Older Americans Act of 1965. The foods provided are used in preparing meals which are served in senior citizen centers and similar settings or delivered to the home-bound elderly. These meals are the focal point of the nutrition projects for the elderly which have the dual objectives of promoting better health and reducing the isolation of old age.

Currently, commodities or cash in lieu of commodities are distributed through State agencies to the local meal sites at a specific rate per meal set by law. P.L. 95-478, enacted in October 1978, set the basic commodity support rate of 30 cents per meal and provided for an annual adjustment based on changes in the Consumer Price Index for Food Away From Home since 1975. For Fiscal Year 1986, the rate would be 61.00 cents per meal. Some States elect to take all of their entitlement in cash and some States choose to receive a combination of cash and commodities. The commodities made available to the Nutrition Program for the Elderly are generally the same as those provided to schools under the Child Nutrition Programs.

Although originally a program to distribute nutritious surplus commodities to senior meal sites, the program has evolved into a cash subsidy program. Almost 96 percent of program resources are distributed to meal providers in cash, on a per meal reimbursement basis.

In Fiscal Year 1986, funding for this program would be capped at the authorized level of $125.9 million. It is estimated that 237 million meals will be served and that the reimbursement rate per meal will be 53.12 cents. Should the reimbursement rate per meal times the number of meals served exceed the ceiling, the reimbursement per meal will be reduced according to Section 311 (d) of the Older Americans Act, as amended.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $1,132,000 in the appropriation for the Needy Family Program on Indian Reservations and in the Trust Territory (on the basis of available funds, there is a decrease of $75,000).

Need for Change. The current estimate for Fiscal Year 1987 for the Needy Family Program is $55,300,000 which is $1,132,000 below the Fiscal Year 1986 Appropriation. The program in the Trust Territory will decrease because the Compact of Free Association, which was signed on January 14, 1986, provides funding through other sources outside USDA for assistance to the Marshall Islands and the Federated States of Micronesia. The 1987 request reflects continuation of the program in Palau.

Nature of Change. Participation on Indian reservations will gradually increase throughout Fiscal Year 1987. The monthly participation will average 140,732 with the food package cost averaging $32.26 per person per month of which $23.05 will be purchased from this account and $9.21 worth of food will be donated by CCC.

(2) A decrease of $4,973,000 in the appropriation for the Nutrition Program for the Elderly (on the basis of available funds, there is a decrease of $4,973,000).

Need for Change. The current authorization level for Fiscal Year 1987 is $132,000,000. This decrease would make the appropriation request consistent with the authorizing legislation.

Nature of Change. The total funds available for this program will decrease to $132,000,000. The requested decrease in the appropriation will provide funding at the level authorized by the Older Americans Act of 1965, as amended.

CASH AND COMMODITIES FOR SELECTED GROUPS

STATUS OF PROGRAM

In Fiscal Year 1985 the Cash and Commodities for Selected Groups continued to provide direct assistance to persons in need through the Needy Family Program (NFP) and the Nutrition Program for the Elderly (NPE):

Needy Family Program (NFP)

The Needy Family Program implemented the requirements of Public Law 95-113 to allow Indian Tribal Organizations (ITOs) to operate a food distribution program. This program is an alternative to the Food Stamp Program for eligible households living on or near an Indian reservation. A smaller program operating in the Trust Territories of the Pacific is being phased out (except for Palau) in keeping with the changing status of the Trust Territory Islands.

In Fiscal Year 1985, one new Tribe entered the program. Participation in the NFP reached an all-time high monthly average of over 138,529 participants in Fiscal Year 1985.

Current Activities

At the close of Fiscal Year 1985, 80 Indian Tribal Organizations (ITOs) and five States operated the NFP on 195 Indian reservations.

Nutrition Program for the Elderly

The United States Department of Agriculture supplements the DHHS programs for the elderly with cash and commodities for meals served under the provisions of Title III (Grants for State and Community Programs on Aging) and Title VI (Grants for Indian Tribes) of the Older Americans Act of 1965, as amended.

These DHHS programs provide elderly persons with low cost, nutritionally sound meals served in senior citizen centers and similar settings where participants can also receive social and rehabilitative services. These meals provide the focal point for activities which have the dual objectives of promoting better health and reducing the isolation of old age.

Current Activities

Under the provisions of P.L. 98-459, the Older Americans Act Amendments of 1984, $120.8 million was the maximum amount authorized for meal payments in Fiscal Year 1985. This law also requires the Secretary to reduce the level of payment-per-meal if necessary to stay within the amount authorized. As the number of meals varies above or below the estimated level, the payment-per-meal varies inversely to stay within a fixed amount of available funds.

The States had until December 31, 1985, to submit their final claims for Fiscal Year 1985 meal service. The final payment due each State and the rate of payment per meal will be determined as soon as possible after December 31, 1985. Preliminary information submitted by the States indicates that an estimated 225 million meals were served in the Nutrition Program for the Elderly in Fiscal Year 1985. The Food and Nutrition Service provided commodities or cash in lieu of commodities to State agencies at an estimated rate of 53.62 cents for each meal served. The State agencies distributed commodities and made cash payments to local elderly nutrition centers. The commodities made available to the Nutrition Program for the Elderly were similar in variety to those provided to schools under the Child Nutrition Programs.

NEEDY FAMILY PROGRAM
PARTICIPATION AND FOOD COSTS

FISCAL YEAR 1985

STATE OR TERRITORY	PARTICIPATION	FOOD COSTS
		$
ARIZONA	29,628	7,841,689
CALIFORNIA	3,518	931,177
COLORADO	559	147,961
FLORIDA	552	146,109
IDAHO	2,948	780,304
IOWA	138	36,527
KANSAS	606	160,402
MICHIGAN	2,318	613,550
MINNESOTA	7,692	2,035,726
MISSISSIPPI	892	236,103
MONTANA	7,052	1,866,325
NEBRASKA	1,317	348,596
NEVADA	1,590	420,856
NEW MEXICO	4,751	1,257,539
NEW YORK	356	94,229
NORTH CAROLINA	1,461	386,711
NORTH DAKOTA	8,492	2,247,478
OKLAHOMA	34,999	9,263,071
OREGON	465	123,081
SOUTH DAKOTA	14,121	3,737,415
WASHINGTON	5,710	1,511,377
WISCONSIN	5,220	1,381,679
TRUST TERRITORY	4,142	1,096,344
TOTAL	138,529	$36,664,249 1/

NOTE: THESE DATA ARE BASED IN PART ON PRELIMINARY DATA SUBMITTED BY STATE AND LOCAL AGENCIES AND ARE SUBJECT TO CHANGE AS REVISED REPORT ARE RECEIVED.

1/ DOES NOT INCLUDE BONUS COMMODITIES, BUT INCLUDES $11,693,912 INVENTORY REDUCTION FOR FY 1985.

NEEDY FAMILY PROGRAM
QUANTITY AND VALUE OF COMMODITIES
FISCAL YEAR 1985

COMMODITY	POUNDS	VALUE
SECTION 32 TYPE:		
APPLE JUICE	3,777,804	$833,851
APPLESAUCE	1,816,584	$578,582
APRICOTS, CANNED	925,830	$599,862
BEANS, DRY	3,175,584	$846,518
BEANS, CANNED GREEN	1,782,022	$531,365
BEANS, VEGETARIAN	2,794,032	$737,022
BEEF, CANNED	1,871,669	$2,604,296
BEEF, MEATBALL STEW	1,788,685	$1,164,989
CARROTS, CANNED	599,664	$173,647
CORN, CANNED CREAMED	809,400	$230,578
CORN, CANNED WHOLE	1,226,640	$372,335
EGG MIX	1,124,784	$1,861,269
FRUIT COCKTAIL	2,398,548	$1,407,720
GRAPE JUICE	4,117,054	$1,002,335
GRAPEFRUIT JUICE	775,598	$164,201
ORANGE JUICE	3,125,174	$1,036,973
PEACHES, CANNED	1,847,992	$1,047,751
PEAS, CANNED	977,784	$314,090
PEARS, CANNED	1,188,264	$699,371
PINEAPPLE, CANNED	854,970	$373,934
PINEAPPLE, JUICE	2,344,060	$576,020
PLUMS, CANNED PURPLE	826,194	$346,278
PORK, CANNED	2,443,686	$2,747,526
POTATOES, DEHYDRATED	773,868	$436,134
POTATOES, CANNED WHOLE	932,880	$281,578
POULTRY, CANNED BONED	38,064	$40,612
PRUNES, DRIED	519,528	$291,938
PUMPKIN, CANNED	367,776	$125,997
RAISINS	163,056	$81,045
SALMON, PINK CANNED	711,655	$1,067,992
SPINACH, CANNED	147,855	$54,868
SWEET POTATOES, CANNED	459,984	$188,430
SYRUP, BOTTLED CORN	1,590,606	$471,905
TOMATO JUICE, CANNED	1,613,906	$358,377
TOMATOES, CANNED	629,304	$232,062
TUNA, LIGHT CHUNK	1,259,571	$1,676,920
TOTAL	51,800,075	$25,597,858
SECTION 416 TYPE:		
CEREAL, INFANT RICE	504	$329
CORNMEAL	1,392,550	$195,765
FARINA	1,108,779	$329,039
FLOUR	14,802,000	$1,834,943
MACARONI	1,040,232	$229,458
MILK, EVAPORATED	8,776,592	$4,075,319
OATS, ROLLED	1,770,516	$309,641
PEANUT BUTTER	835,584	$645,010
PEANUTS, ROASTED	826,038	$854,468
RICE, BROWN	27,936	$5,343
SHORTENING	4,642,884	$2,443,004
SPAGHETTI	550,584	$127,001
TOTAL	35,774,199	$11,066,391
TOTAL PURCHASED COMMODITIES:	87,574,274	36,664,249 1/
BONUS COMMODITIES SECTION 32 TYPE:		
BEANS, VEGETARIAN	3,600	$1,034
RAISINS	1,172,304	585,555
TOTAL BONUS SECTION 32 TYPE	1,175,904	$586,589
BONUS COMMODITIES SECTION 416 TYPE:		
BUTTER	1,522,184	$2,462,596
CHEESE, PROCESSED	3,629,982	4,929,814
MILK, NON-FAT DRY	2,576,757	2,703,892
HONEY	1,696,218	1,325,611
RICE MILLED	2,599,488	497,580
TOTAL BONUS SECTION 416 TYPE	12,024,629	$11,919,493
GRAND TOTAL	100,774,807	$49,170,331

1/ DOES NOT INCLUDE BONUS COMMODITIES, BUT INCLUDES $11,693,912 INVENTORY REDUCTION FOR FY 1985.

NUTRITION PROGRAM FOR THE ELDERLY
MEALS SERVED AND PROGRAM COSTS
FISCAL YEAR 1985

STATE	AVERAGE DAILY (000)	TOTAL FY 1985 (000)	PROGRAM COSTS ($000)
ALABAMA	15.27	3,969	$2,125
ALASKA	1.41	366	196
ARIZONA	9.47	2,461	1,318
ARKANSAS	13.65	3,550	1,901
CALIFORNIA	74.03	19,248	10,307
COLORADO	8.07	2,098	1,123
CONNECTICUT	10.54	2,740	1,467
DELAWARE	4.36	1,133	607
DISTRICT OF COLUMBIA	4.15	1,079	578
FLORIDA	46.61	12,118	6,489
GEORGIA	12.12	3,151	1,687
HAWAII	5.05	1,313	703
IDAHO	4.24	1,103	591
ILLINOIS	30.03	7,808	4,181
INDIANA	19.96	5,190	2,779
IOWA	15.57	4,049	2,168
KANSAS	13.53	3,517	1,883
KENTUCKY	13.75	3,574	1,914
LOUISIANA	20.60	5,356	2,868
MAINE	5.28	1,372	735
MARYLAND	14.66	3,811	2,041
MASSACHUSETTS	25.60	6,655	3,564
MICHIGAN	36.95	9,607	5,144
MINNESOTA	16.88	4,388	2,350
MISSISSIPPI	12.75	3,315	1,775
MISSOURI	23.68	6,157	3,297
MONTANA	5.77	1,500	803
NEBRASKA	8.22	2,137	1,144
NEVADA	3.85	1,000	535
NEW HAMPSHIRE	5.30	1,378	738
NEW JERSEY	21.22	5,516	2,954
NEW MEXICO	7.45	1,937	1,037
NEW YORK	79.18	20,588	11,025
NORTH CAROLINA	18.72	4,867	2,606
NORTH DAKOTA	4.54	1,181	632
OHIO	26.38	6,859	3,673
OKLAHOMA	15.54	4,041	2,164
OREGON	9.89	2,571	1,377
PENNSYLVANIA	42.68	11,097	5,942
RHODE ISLAND	4.37	1,136	608
SOUTH CAROLINA	8.28	2,154	1,153
SOUTH DAKOTA	5.36	1,394	746
TENNESSEE	14.73	3,829	2,050
TEXAS	51.48	13,384	7,167
UTAH	5.13	1,333	714
VERMONT	3.21	834	447
VIRGINIA	10.52	2,736	1,465
WASHINGTON	11.92	3,099	1,659
WEST VIRGINIA	7.78	2,022	1,083
WISCONSIN	24.67	6,415	3,435
WYOMING	3.58	932	499
AMERICAN SAMOA 1/	.00	0	0
GUAM	1.24	322	172
NORTHERN MARIANAS	.30	79	42
PUERTO RICO	7.70	2,003	1,073
VIRGIN ISLANDS	.44	114	61
TOTAL	867.64	225,586	$120,800

NOTE: DATA FOR TITLE III AND TITLE VI PROGRAMS ARE BASED, IN PART, ON PRELIMINARY DATA SUBMITTED BY THE STATES AND LOCAL AGENCIES AND ARE SUBJECT TO CHANGE AS REVISED REPORTS ARE RECEIVED.

1/ PROGRAM NOT OPERATED IN 1985.

NUTRITION PROGRAM FOR THE ELDERLY
QUANTITY AND VALUE OF COMMODITIES
FISCAL YEAR 1985

COMMODITY	POUNDS	VALUE
SECTION 32 TYPE:		
APPLE JUICE	462	996
APPLES, FRESH	48,000	8,882
APPLESAUCE	679,960	171,842
APRICOTS, CANNED	168	118
BEANS, DRY	314,813	64,060
BEANS, CANNED GREEN	346,084	89,488
BEANS, VEGETARIAN	320,111	70,148
BEEF, CANNED	174	284
BEEF, FROZEN	1,808,341	1,579,186
BEEF, MEATBALL STEW	220	188
BLUEBERRIES, FROZEN	112,170	77,846
CARROTS, CANNED	312	90
CHERRIES, FROZEN RED TART	295,950	146,068
CORN, CANNED	487,314	127,807
CORN, CANNED CREAMED	168	82
CORN, CANNED WHOLE	192	98
CHICKEN, FROZEN PARTS	1,744,466	1,038,584
CHICKEN PATTIES, FROZEN	67,440	98,318
EGG MIX	72	120
FRUIT COCKTAIL	264	164
GRAPE JUICE	502	126
GRAPEFRUIT JUICE	112	18
ORANGE JUICE	486	182
PEACHES, CANNED	114,089	47,081
PEAS, CANNED	312	98
PEARS, CANNED	410,176	170,709
PEARS, FRESH	47,250	11,208
PINEAPPLE, CANNED	180	80
PINEAPPLE, JUICE	228	83
PLUMS, CANNED PURPLE	144	80
PORK, CANNED	294,867	328,034
POTATOES, DEHYDRATED	84	58
POTATOES, CANNED WHOLE	312	108
POTATOES, FROZEN	529,320	170,313
PRUNES, DRIED	96	54
PUMPKIN, CANNED	80	22
SALMON, PINK CANNED	930	1,411
SPINACH, CANNED	288	88
SWEETPOTATOES, CANNED	389,487	115,423
SYRUP, BOTTLED CORN	28	11
TOMATO JUICE, CANNED	475	104
TOMATOES, CANNED	889,271	186,848
TOMATOES, PASTE	352,380	148,358
TUNA, LIGHT CHUNK	84	188
TURKEY, FROZEN	871,598	1,032,382
VEGETABLES, MIXED/FROZEN	277,140	98,886
TOTAL	9,855,318	$5,767,826
SECTION 416 TYPE:		
CORNMEAL	153,200	$20,717
FLOUR	1,038,100	123,768
MACARONI	57,112	11,830
OATS, ROLLED	54,360	8,910
PEANUT BUTTER	83,782	50,530
PEANUTS, ROASTED	41,022	29,807
RICE, BROWN	800	89
OIL, VEGETABLE	396,720	191,488
SHORTENING	104,888	52,813
SPAGHETTI	62,308	13,874
TOTAL	1,791,792	$603,801
ADJUSTMENT		3,332,301
TOTAL PURCHASED COMMODITIES	11,647,110	9,624,029
BONUS COMMODITIES SECTION 32 TYPE:		
RAISINS	46,096	$20,338
EGG MIX	40,000	62,624
TOTAL BONUS SECTION 32 TYPE	86,096	$82,962
BONUS COMMODITIES SECTION 416 TYPE:		
BUTTER	1,895,136	$2,785,482
CHEESE, PROCESSED	1,742,102	2,383,797
MILK, NON-FAT DRY	348,317	296,083
HONEY	267,812	208,875
RICE MILLED	43,190	7,636
TOTAL BONUS SECTION 416 TYPE	4,294,857	$5,681,883
GRAND TOTAL	16,028,063	$12,058,812

SURPLUS COMMODITY DONATIONS TO CHARITABLE INSTITUTIONS AND SUMMER CAMPS

STATUS OF PROGRAM

Under Section 416 price support and Section 32 surplus removal activities, commodities are donated to the Surplus Commodity Donations Program administered by FNS. These commodities are purchased by CCC and Section 32 at no cost to FNS.

Charitable Institutions and Summer Camps

Commodities are distributed to nonprofit charitable institutions serving needy persons and to summer camps for children. To be eligible, an institution must be nonprofit and serve meals on a regular basis. Among the charitable institutions receiving donated commodities are: homes for the elderly, hospitals that offer general and long term health care, soup kitchens, meals-on-wheels programs and orphanages that do not participate in one of the Child Nutrition Programs. Similar rules apply to both institutions and summer camps. Those camps participating in the Summer Food Service Program are not eligible.

In Fiscal Year 1985, foods valued at $166.5 million were distributed to charitable institutions. Foods valued at $5.2 million were distributed to summer camps.

SURPLUS COMMODITY DONATIONS TO CHARITABLE INSTITUTIONS AND SUMMER CAMPS

FISCAL YEAR 1985
(Value of Commodities in thousands of dollars)

State or Territory	Charitable Institutions	Summer Camps	Total
Alabama	$3,686,034	$22,977	$3,709,011
Alaska	218,240	16,983	235,223
Arizona	1,503,631	93,907	1,597,538
Arkansas	1,474,235	108,892	1,583,128
California	14,941,888	103,897	15,045,785
Colorado	1,606,961	308,695	1,915,656
Connecticut	2,333,835	151,850	2,485,685
Delaware	990,544	2,997	993,541
District of Columbia	2,908,386	0	2,908,386
Florida	7,436,204	84,916	7,521,120
Georgia	3,567,561	0	3,567,561
Hawaii	387,488	0	387,488
Idaho	528,231	1,998	530,229
Illinois	6,651,430	274,728	6,926,158
Indiana	2,763,189	67,933	2,831,122
Iowa	2,295,532	232,770	2,528,301
Kansas	101,549	0	101,549
Kentucky	2,958,269	203,798	3,162,068
Louisiana	2,620,665	53,947	2,674,612
Maine	1,106,345	95,905	1,202,250
Maryland	3,506,988	0	3,506,988
Massachusetts	2,627,791	21,978	2,649,769
Michigan	4,703,301	0	4,703,301
Minnesota	4,646,291	10,989	4,657,280
Mississippi	1,936,549	42,958	1,979,506
Missouri	3,686,925	189,812	3,876,737
Montana	733,109	79,921	813,030
Nebraska	990,544	46,954	1,037,497
Nevada	1,149,102	1,998	1,151,100
New Hampshire	1,292,517	270,732	1,563,249
New Jersey	6,174,864	42,958	6,217,822
New Mexico	595,930	121,879	717,809
New York	14,773,531	198,803	14,972,335
North Carolina	3,591,612	102,898	3,694,510
North Dakota	929,080	53,947	983,027
Ohio	5,854,184	97,903	5,952,088
Oklahoma	1,944,566	153,848	2,098,413
Oregon	2,512,881	156,845	2,669,726
Pennsylvania	10,968,133	208,794	11,176,927
Rhode Island	951,350	67,933	1,019,282
South Carolina	3,017,951	39,960	3,057,912
South Dakota	1,133,068	55,945	1,189,013
Tennessee	3,629,024	84,916	3,713,940
Texas	4,868,095	583,423	5,451,518
Utah	1,389,612	105,895	1,495,507
Vermont	492,600	82,918	575,518
Virginia	3,404,549	175,826	3,580,375
Washington	4,350,553	248,754	4,599,307
West Virginia	4,547,415	28,971	4,576,386
Wisconsin	4,515,347	88,912	4,604,259
Wyoming	312,663	18,981	331,644
American Samoa	2,672	0	2,672
Puerto Rico	1,210,566	24,975	1,235,541
Trust Territory	10,689	0	10,689
Virgin Islands	0	3,996	3,996
TOTAL	$166,534,265	$5,240,818	$171,775,083

SURPLUS COMMODITY DONATIONS TO
CHARITABLE INSTITUTIONS AND SUMMER CAMPS
QUANITY AND VALUE OF COMMODIITIES
FISCAL YEAR 1985

ENTITLEMENT COMMODITIES	CHARITABLE INSTITUTIONS		SUMMER CAMPS	
	Pounds	Value	Pounds	Value
SECTION 32-TYPE:				
Apricots, canned				
Beef, canned with natural juices				
Chickens, Frozen			16,015	$9,307
Figs, dried				
Peaches, canned				
Pears, D'Anjou canned				
Pork, canned with natural juices	2,089,044	$2,542,900		
Raisins				
Total Section 32 Type	2,089,044	$2,542,900	16,015	$9,307
SECTION 416-TYPE:				
Bulger	160,000	$21,412		
Cheese, mozzarella				
Cornmeal	4,881,300	627,724	46,250	5,839
Flour	134,588,700	15,828,872	2,298,650	277,179
Grits	1,165,000	127,194	10,500	1,201
Macaroni	4,935,640	1,010,997	489,720	100,892
Oats, rolled	4,547,601	769,728	108,984	19,152
Oil, Soybean	3,740,410	1,318,631	61,000	21,271
Oil, Vegetable	17,395,986	8,390,978	826,288	398,607
Peanut butter	8,028,341	5,041,900	537,161	332,706
Peanuts, granules & roasted	3,156,393	2,392,921	320,316	226,072
Rice	186,875	32,965		
Shortening, Soybean				
Shortening, Vegetable	16,241,074	7,299,287	619,840	314,929
Spaghetti	4,130,240	909,137	546,220	120,267
Wheat, rolled	255,000	30,333		
Total Section 416 Type	202,415,539	$43,800,159	5,866,909	$1,818,115
TOTAL COMMODITY ENTITLEMENT	204,504,583	$46,343,059	5,882,924	1,827,422
BONUS COMMODITIES				
SECTION 32-TYPE:				
Apricots, canned	3,118,501	$1,875,160		
Beans, dry blackeye peas	79,960	29,241		
Egg Mix	6,012,120	9,266,020	16,000	25,050
Figs, dried	870,450	454,134		
Peaches, freestone canned	2,728,000	1,166,498		
Pork, canned	9,768,969	10,583,568	324,771	349,808
Prunes, dired pitted	2,350,750	1,518,523		
Raisins	1,044,300	470,877	8,000	2,705
Total Section 32 Type	25,973,050	$25,365,061	348,771	$377,563
SECTION 416-TYPE:				
Butter	30,725,412	$45,147,612	908,068	1,319,915
Butter Oil	4,320	7,344		
Cheese,chedder	5,813,178	7,756,032	166,140	209,883
Cheese, processed	20,545,764	28,281,387	843,030	1,137,958
Honey, processed	3,618,660	2,822,590	113,760	88,733
Milk, nonfat dry	10,378,824	9,092,875	245,150	205,897
Rice, milled	9,862,800	1,728,135	423,375	73,647
Total Section 416 Type	80,948,558	$94,836,125	2,699,523	$3,035,833
Total Bonus Commodities	106,919,608	$120,191,206	3,048,294	$3,413,396
GRAND TOTAL (Entitlement and Bonus)	311,424,191	$166,534,265	8,929,218	$5,240,818

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Program Administration:

> For necessary administrative expenses of the Domestic Food Programs funded under this Act, [$82,502,000] $86,100,000; of which $5,000,000 shall be available only for simplifying procedures, reducing overhead costs, tightening regulations, improving food stamp coupon handling, and assistance in the prevention, identification and prosecution of fraud and other violations of law: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $150,000 shall be available for employment under 5 U.S.C. 3109.

FOOD PROGRAM ADMINISTRATION

Appropriations Act, 1986		$82,007,000
Budget Estimate, 1987		86,100,000
Increase in Appropriation		+4,093,000
Adjustments in 1986		
Appropriations Act, 1986	$82,502,000	
Less Pro-Rata Reduction, P.L. 99-190	-495,000	
Net Appropriations	82,007,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-82,000	
Adjusted base for 1986		81,925,000
Budget Estimate, 1987		86,100,000
Increase over adjusted 1986		+4,175,000

a/ A transfer of $63,000 to Departmental Administration and $19,000 to Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Child Nutrition	$26,521,000	+$1,326,000	$27,847,000
Special Milk	152,000	--	152,000
Special Supplemental Food	6,712,000	+336,000	7,048,000
Food Stamp	46,820,000	+2,427,000	49,247,000
Cash and Commodities for Selected Groups	1,720,000	+86,000	1,806,000
Total, Available	81,925,000	+4,175,000	86,100,000

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1985 Actual		1986 Estimated		Increase or Decrease	1987 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Child Nutrition	$27,200,000	688	$26,521,000	663	+$1,326,000	$27,847,000	658
2. Special Milk	157,000	5	152,000	5	--	152,000	5
3. Special Supplemental Food	6,885,000	159	6,712,000	154	+336,000	7,048,000	152
4. Food Stamp	48,025,417	1,283	46,820,000	1,236	+2,427,000	49,247,000	1,227
5. Cash and Commodities for Selected Groups	1,763,000	51	1,720,000	49	+86,000	1,806,000	49
Unobligated balance	74,583	--	--	--	--	--	--
Total available or estimate	84,105,000	2,186	81,925,000	2,107	+4,175,000(1)	86,100,000	2,091
Transfer to Departmental Administration and Office of Governmental and Public Affairs	+82,000		+82,000				
Total, Appropriation	84,187,000		82,007,000				

EXPLANATION OF PROGRAM

Federal expenses associated with administration of the Food and Nutrition Service programs are provided in the FPA appropriation. These expenses involve program and policy development, program monitoring, assistance to State agencies which actually operate the programs and general management support. Costs directly associated with delivery of benefits to participants are generally shared with the States and are funded from the individual program appropriations. Direct Federal operation of programs is provided through the FPA appropriation only in certain cases where a State is prohibited by law from disbursing program funds or where no State agency has assumed administrative responsibility.

The following programs are administered by FNS: Child Nutrition Programs, Special Milk Program, Special Supplemental Food Program (WIC), Commodity Supplemental Food Program (CSFP), Food Stamp Program, Nutrition Assistance to Puerto Rico, and the Cash and Commodities for Selected Groups.

Administrative functions of FNS are managed by an Administrator, an Associate Administrator and four Deputy Administrators. Each Deputy Administrator is responsible for management of program or administrative functions, as follows:

-- Family Nutrition Programs - policy and planning related to the Food Stamp Program. Also handles retail store compliance and monitoring investigations through field locations.

-- Special Nutrition Programs - program planning, development and oversight for Child Nutrition, Supplemental Food Programs, Cash and Commodities for Selected Groups, and nutrition and technical services.

-- Financial Management - accounting, budget and management information functions for all FNS programs.

-- Management - personnel, equal employment opportunity, automated data processing and general administrative services.

An Office of Regional Operations manages the seven regional offices and 74 field offices. These offices maintain direct contact with State agencies which administer the FNS programs and also conduct on-site management reviews of State operations.

A major area of emphasis in the administration of FNS programs involves reducing fradulent and wasteful practices in program operations. Management reviews of State operations, carried out by regional office personnel, are a high priority in this area. These reviews focus on compliance with program regulations as well as general operational concerns. In addition to management reviews, increased monitoring of financial operations and reporting is being undertaken.

Food Stamp Program quality control review, to assess the States' liabilities with regard to benefit overissuance, is a second area of emphasis. Assistance with computerized systems to monitor error rates has been made available to all States.

A program to facilitate sharing of information among State agencies which operate FNS programs also remains a high priority. This program reduces duplication of effort in developing and evaluating new systems and procedures to curtail fraud by making information on actual experiences readily available to other States.

OIG Reports

#27649-1-CH 10/85 Monitoring Retailer Participation in the Food Stamp Program
#59651-2-CH 10/85 Security of Non-Federal ADP Needs Improvement

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $4,175,000 for implementation of the 1987 segment of the Information Resources Management (IRM) plan, including an increase of $5,160,000 for equipment purchases and a decrease of $985,000 and 16 staff years for related savings.

Need for Change. Staff reductions and continued heavy workloads make it imperative that the Agency avail itself of all cost-effective enhancements to productivity. Development of abilities to use automated data processing and administrative office automation technologies are necessary to absorb changes in workload requirements.

Nature of Change. The replacement of outdated hardware will significantly improve Agency response for information processing and provide uniform hardware/software products throughout the Agency. Through automated data processing investments, the Agency plans to increase employee productivity and improve Agency support functions. Key elements of the IRM plan are: 1) acquisition of 10 local area networks; 2) acquisition of 400 multifunctional work stations; and 3) contractor assistance to study Agency-wide telecommunications requirements.

FOOD PROGRAM ADMINISTRATION

STATUS OF PROGRAM

The Food Program Administration appropriation provides Federal operating expenses for administering the various food assistance programs of the Food and Nutrition Service. Included under this account are the Child Nutrition, Special Milk, Special Supplemental Food, Commodity Supplemental Food, Food Stamp, and Cash and Commodities for Selected Groups Programs. Also included are Surplus Commodity Donations activities and Nutrition Assistance to Puerto Rico. A description of the administrative role of the Food and Nutrition Service staff during Fiscal Year 1985 is as follows:

Child Nutrition Programs

The Child Nutrition Programs -- the National School Lunch, School Breakfast, Summer Food Service and Child Care Food Programs -- serve nutritious meals to needy and other children attending eligible schools, child care institutions, and summer recreational programs. The Food and Nutrition Service works through State agencies, providing cash and commodities for use in preparing and serving meals. FNS furnishes administrative and program assistance to State agencies, participating schools and institutions, and also develops the policies, procedures and standards used in administering the programs and determining eligiblity. The Food and Nutrition Service regional offices directly administer food programs for residential child care institutions and private schools where the State educational agency does not disburse funds. FNS regional offices also directly administer programs for summer and child care institutions where no State agency has assumed administrative responsibility.

Because of the great number and small size of individual centers and day care homes participating in the Child Care Food Program, adequate review of participating sponsors requires extensive FNS staff resources. The Summer Food Service Program also continues to place heavy demands on Federal personnel due to the short term of the program and because FNS must directly administer the program in numerous States.

In Fiscal Year 1985, FNS directly administered the School Lunch and Breakfast Programs for private schools in eight States, private residential child care institutions in nine States, and public residential child care institutions in five States. In addition, FNS operated the Child Care Food Program in nine States and the Summer Food Service Program in 17 States.

During Fiscal Year 1985, the principal activities in the Federal administration of the Child Nutrition Programs included:

- Issuing a proposed rule to provide State Administrative Expense funds to State distributing agencies for the purpose of establishing or expanding State commodity processing programs.

- Reviewing income verification efforts of the National School Lunch and Breakfast Programs in seven States (one in each FNS region) to determine trends and prepare for further development of materials to assist States in such efforts.

- Reviewing and revising the FNS instructions for school nutrition programs in an effort to clarify and update operating policies.

- Reviewing and rewriting, as appropriate, 7 CFR Part 210, National School Lunch Program. This responds to Public Law 96-354, Regulatory Flexibility Act, and Executive Order 12291 on Federal Regulation, which require a review of existing regulations to determine whether the need for the regulation continues to exist and whether the regulation could be modified or simplified to reduce costs to the regulated entities.

- Initiating a system for enhancing and strengthening FNS management of State Administrative Expense funds in order to more clearly control the allocation of federal funds and to ensure the efficient use of funds available for reallocation. The system will enable FNS to reduce the increasing amount of carryover funds.

- Issuing proposed regulations to clarify the basis for preventing child care institutions which have been determined to be seriously deficient in program operations from participating in the Child Care Food Program.

- Initiating the development of a reporting system under which States would be required to report specific data (e.g., compliance with meal pattern requirements) on the program operations of child care institutions.

Special Milk Program

The Special Milk Program provides cash to States to subsidize milk served to children in eligible non-profit schools, child care centers, summer camps and similar institutions that do not participate in other Child Nutrition Programs. The Food and Nutrition Service directly administers the program for outlets in States which do not disburse funds to some participants, and for other outlets where no State agency has assumed administrative responsibility. During Fiscal Year 1985, FNS directly administered the Special Milk Program for private schools, summer camps, and other institutions in 13 States.

Special Supplemental Food Program (WIC)

The WIC Program provides nutritious supplemental foods through local health clinics to low-income pregnant, postpartum, and breastfeeding women, and to infants and children up to five years of age who are found to be at "nutritional risk." The Food and Nutrition Service provides grant funds to State Departments of Health and others to permit the issuance of supplemental food instruments to eligible participants and pay for specified administration costs including the cost of nutrition education. FNS also develops the policies, procedures, and standards used in administering the program and monitors State agency operations. In Fiscal Year 1985, the WIC Program was administered by 85 State agencies, including 50 States, 31 Indian agencies, and the District of Columbia, Puerto Rico, Guam and the Virgin Islands.

In Fiscal Year 1985, the principal activities included:

- Finalizing comprehensive WIC regulations.

- Offering technical assistance to States in developing high risk vendor monitoring systems.

- Providing technical guidance to States in establishing effective ADP systems to better manage the program.

Commodity Supplemental Food Program (CSFP)

The Commodity Supplemental Food Program provides supplemental food to a target population similar to that of the WIC Program. The foods, however, are purchased directly by the Department of Agriculture and are distributed to eligible women, infants and children through State and local agencies. The major activities performed by FNS include: the determination of the quantity of food required and the allocation of commodities to meet the requirements; the interagency coordination of commodity purchases; program monitoring and review; and the allocation of funds to States for administrative costs. During Fiscal Year 1985, the Commodity Supplemental Food Program was operated through 13 State agencies.

Additionally, the agency administers three Elderly Feeding Pilot Projects. These operate in Polk County, Iowa, Detroit, Michigan, and New Orleans, Louisiana. These projects provide USDA commodity supplemental foods to low-income senior citizens.

Food Stamp Program

The Food Stamp Program is in operation in all 50 States, the District of Columbia, the Virgin Islands and Guam. Its purpose is to give low-income households access to a better diet by increasing their food purchasing power. The State agencies are responsible for certifying eligible households and issuing the food stamps. The major activities performed by Food and Nutrition Service include: developing policies and procedures for the administration of the program, providing technical assistance to State agencies, reviewing State agency quality control activities, determining the effectiveness and efficiency of State agency administration, allocating administrative funds to the State agencies and determining their eligibility for enhanced administrative funding when their error rates have been reduced below certain levels. In addition, FNS directly authorizes the retail and wholesale firms which are approved to accept food stamps; controls the printing of food stamps and their distribution to State agencies; maintains fiscal accountability for food stamps issued to participants; and, in cooperation with the Federal Reserve System, establishes processes for the redemption and destruction of food stamps.

During Fiscal Year 1985, the principal Food Stamp Program activities included:

- Continued work on several demonstration projects directed toward: program simplification; reduction of error, fraud, waste and abuse; strengthening program management and testing an alternative system for issuing food stamp benefits.

- Continued intensive monitoring of grocers and other redemption outlets to detect and penalize fraud and abuse. During Fiscal Year 1985, FNS staff conducted nearly 64,000 monitoring visits and more than 11,000 compliance visits.

- Issued several Food Stamp Program Regulations and Notices.

- Revised the Federal Quality Control Validation Review Handbook and developed a handbook on the Participation of Authorized Firms in the program.

- Acted upon 208 waiver requests, approving 124, denying 74, and determining that 10 waiver requests were not necessary. Waivers are requested in order to provide State agencies maximum flexibility to administer the program.

- Coordinated the exchange of information among State agencies under the Operation Awareness umbrella by funding more than 120 interstate exchanges of expertise, publishing the State-to-State report, updating the Catalog of Program Improvement Activities, and sponsoring conferences.

- Provided technical assistance to State agencies to improve their wage matching systems.

- Provided enhanced funding for anti-fraud activities to 50 State agencies.

- Worked closely with State agencies to strengthen the integrity of food stamp issuance so that issuance losses continued to decline substantially.

- Contracted with 39 State agencies to provide job search services to their food stamp work registrants resulting in job placements of approximately 27 percent of those who performed job search.

- Initiated a National Retailer Compliance Campaign to test various methods for reducing retailer violations.

- Distributed 5,237 reports on Compliance Branch investigations.

- Conducted a survey to determine the effect of disqualifications and civil money penalties.

- Investigated the effect upon retailer compliance of warning letters alone compared to visits and oral warnings.

- Developed and tested special investigative procedures.

- Negotiated a contract to develop an automated management system for the Compliance Branch.

Nutrition Assistance to Puerto Rico

Under the Nutrition Assistance to Puerto Rico grant, the Commonwealth provides food assistance to low income households through a food assistance check delivery system which serves in place of the traditional coupon delivery system. During Fiscal Year 1985, the Food and Nutrition Service supervised contractor evaluations of Puerto Rico's Nutrition Assistance Program and of the effects of legislative changes in 1981 and 1982.

Cash and Commodities for Selected Groups

Included in the Cash and Commodities for Selected Groups are two distinct food distribution programs--the Needy Family Program and the Nutrition Program for the Elderly.

- Needy Family Program

  The Food and Nutrition Service acquires and distributes agricultural commodities to needy persons and families on Indian reservations, and to residents of the Republic of Palau, one of the Trust Territories of the Pacific. Cash assistance is also provided to help finance the administrative cost of operating the program.

  The Food Stamp Act of 1977, which requires that a food distribution program be operated on Indian reservations that request it, also allows the Indian reservations to run their programs provided they meet specified administrative criteria. FNS provides the training and other assistance as needed.

  Training and other assistance provided to new reservations are primarily directed toward basic program operations, while the assistance given to more experienced reservations concentrates on the enhancement of program management.

- Nutrition Program for the Elderly

  The Nutrition Program for the Elderly provides low cost meals served in senior citizen centers and similar settings where participants can also receive social and rehabilitative services. The management and operation of this program is in the Administration on Aging (AOA) of the Department of Health and Human Services (DHHS). The meals served are the focal point for the nutrition projects which have the dual objectives of promoting better health and reducing the isolation of old age. The activities performed by the Food and Nutrition Service are receiving and processing States' orders for commodities and providing cash in lieu of commodities.

Surplus Commodity Donations to Charitable Institutions and Summer Camps

The Surplus Commodity Donations Program provides commodities to nonprofit charitable institutions serving needy persons and to summer camps for children. These commodities are provided under section 416 price support and section 32 surplus removal activities. Among the charitable institutions receiving donated commodities are homes for the elderly, hospitals, soup kitchens, meals-on-wheels programs, and orphanages that do not participate in one of the Child Nutrition Programs. The Food and Nutrition Service works through State agencies to provide these commodities. The Food and Nutrition Service furnishes administrative and program assistance to the cooperating State agencies and also develops the policies, procedures and standards used in administering the programs and determining eligibility.

Regional Operations

Along with its headquarters in Alexandria, Virginia, the Food and Nutrition Service maintains seven regional offices. These regional offices supervise a network of 74 field offices whose mission is to ensure compliance in the Food Stamp Program and provide various review and support services for the other food assistance programs. The regional office provides leadership and direction in implementing FNS program policy, develops operational planning and strategy, maintains cooperative working relationships with State agencies, and executes State corrective actions when necessary. A regional office may also directly administer programs for schools and residential child care institutions where State educational agencies do not administer the program, as well as programs in child care institutions and summer program sites where no State agency has assumed administrative responsibility.

The regional office sites and the States currently in each region are as follows:

Northeast Region

Burlington, Massachusetts

Connecticut
Maine
Massachusetts
New Hampshire
New York
Rhode Island
Vermont

Southwest Region

Dallas, Texas

Arkansas
Louisiana
New Mexico
Oklahoma
Texas

Mid Atlantic Region

Robbinsville, New Jersey

Delaware
District of Columbia
Maryland
New Jersey
Pennsylvania
Puerto Rico
Virginia
Virgin Islands
West Virginia

Mountain Plains Region

Denver, Colorado

Colorado
Iowa
Kansas
Missouri
Montana
Nebraska
North Dakota
South Dakota
Utah
Wyoming

Southeast Region

Atlanta, Georgia

Alabama
Florida
Georgia
Kentucky
Mississippi
North Carolina
South Carolina
Tennessee

Western Region

San Francisco, California

Alaska
American Samoa
Arizona
California
Guam
Hawaii
Idaho
Nevada
Northern Marianas
Oregon
Trust Territory
Washington

Midwest Region

Chicago, Illinois

Illinois
Indiana
Michigan
Minnesota
Ohio
Wisconsin

Financial Management Improvements

During Fiscal Year 1985, the Food and Nutrition Service continued to emphasize financial management improvement activities with definite emphasis on strengthening our debt collection efforts. The highlights of this special effort follow:

Debt Management. Food and Nutrition Service continues to place a high priority on improved debt management and accelerated collection of amounts due to the government. Indebtedness to the Agency arises from several sources, including the following:

- Audits and investigations of State and local agencies and nonprofit institutions which receive funding from Food and Nutrition Service and investigations of retailers and wholesalers participating in the Food Stamp Program.
- Commodities which are lost or damaged in storage.
- Food Stamp coupons lost from State or local inventories.
- Claims against food stamp recipients who have received improper benefits. There are a large number of individual claims for small amounts.
- Error rate sanctions levied against States in the Food Stamp Program.

Highlights of Debt Management
Fiscal Year 1984 - Fiscal Year 1985
(Excluding Food Stamp Recipient Claims)
($ Millions)

	1984	1985
Ending Accounts Receivable Balance	$18.1	$19.4
Collections	27.5	19.0
Litigation	11.2	14.3
Past Due	.8	.2

Accomplishments

- Delinquent accounts receivable decreased by 75 percent.
- Accounts receivable balance is up $1.3 million from October 1984. Food stamp quality control sanctions comprise $9.2 million or 47 percent of the total. All sanctions are in appeal and, therefore, not subject to immediate collection.
- Past due receivables decreased about $600,000 from the previous year, even though the definition of past due was tightened to include all accounts over 30 days old and not in litigation or on payment plans. The previous definition cited such accounts only after 90 days. The current figure $236,436 represents the lowest past due amount since February 1984.
- Collections returned to the 1983 level, down $8.5 million from 1984. Accounts outstanding averaged $22.4 million each month compared to $24.9 million last year.
- Retailer/Wholesaler collections were increased by over 35 percent from Fiscal Year 1984.

WEDNESDAY, APRIL 9, 1986.

FARMERS HOME ADMINISTRATION

WITNESSES

FRANK W. NAYLOR, UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT

VANCE L. CLARK, ADMINISTRATOR, FARMERS HOME ADMINISTRATION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

SERIOUSNESS OF FARM SITUATION

Mr. WHITTEN. The Committee will come to order.

We have with us today the Farmers Home Administration. Mr. Naylor is here representing the Secretary, with Mr. Clark and Mr. Dewhurst. We will be glad to hear from you.

First may I say that I do not know of anything more serious than the farm situation now. I suggested the other day that if we are going to take care of the American farmer, we are going to have to give him a foreign address. We are increasing budgets for everything overseas. But, as you know, I feel we are sadly letting down our country as well as the farmers.

Land values have gone down from 50 percent or more. This is added to the adverse effect of the oil situation. It looks to me like we are heading directly into a real serious situation.

I notice efforts are being made to bail out the farm credit system by providing they could just draw on the Commodity Credit Corporation without Congressional approval. However, we managed to put in language, so they would have to be reviewed.

Not only that, according to telephone calls from folks in the country, farmers are being talked out of making application for loans. This is what I hear by word of mouth and from telephone conversation.

I mention this because I want the detail of just how this is handled throughout the country. I cannot believe that "the powers that be" can fail to realize that agriculture has been our biggest industry, our cheapest and most economical supplier, our biggest earner in world trade, where we have been selling competitively. The former Secretaries of Agriculture, and the one that we have now, have refused to use the Commodity Credit Corporation to keep our production moving in world trade.

I read in today's paper where the sale of dairy products under the new Farm Bill is wrecking the market for beef cattle. You understand that this Committee is familiar with the fact that the reason we have all these dairy products is because we would not sell it for what it would bring. With half the world in need of food, we are paying our people not to produce. This does not make sense.

Dairy cattle are flooding the market. Apparently some people had no realization that this would ruin the cattle market. All of which comes back to where we have every right to look to you folks to help take care of the problems in rural America.

Mr. Clark, I understand that you are requiring borrowers to show satisfactory cash flow. I have talked to many folks who say that if the rules were as they were last year, about 2 or 3 times as many people would qualify for loans. But you have rules which keep folks from even making application. I want to know whether that includes living expenses.

I mention these things in advance, because I want you to tell us what you have heard by telephone, by wire, by public meetings, as well as what is been written in the way of directives to the state offices and thereby to the county offices. And I want to know if we can expect any improvements in the situation.

I have an article from the Washington Post that shows what a terrible rural situation there is. And, as I have said, the best solution I have is that we should give these farmers a foreign address.

Last year in the supplemental appropriation, we had complaints about many items but not a complaint on the foreign aid funds.

I mention all this in advance because I want the details as well as any hope you can give us toward an improving situation.

Mr. Naylor, do you have any comments to make at this point?

Mr. NAYLOR. Mr. Chairman, it is always a privilege to appear before the Committee. I will assure you we will supply information for the record——

Mr. WHITTEN. We would like to have their information orally here. Many folks are interested. And this is something I know you have heard about for several years from us. So we would like to have some information now, so we can follow it up with questions, as against just submitting it for the record.

Mr. NAYLOR. I was referring to specific statistical data. We are prepared to discuss any of the questions you have made in your opening comments.

HOPE FOR FARM SITUATION

Mr. WHITTEN. I am mentioning it in advance because that is what we are interested in. We do not mean to foreclose you from adding any information. But we would like to ask now: do you see any hope for improvement in the situation?

Mr. NAYLOR. I think we share considerable hope for improvement in this situation. We have submitted to this Administration and Congress information for the passage of the Farm Bill and committed some $54 billion for farm programs.

Mr. WHITTEN. As I understand it, from oral and telephone conversations and public meetings, a high percentage of borrowers who have dealt with you before are being talked out of even making application because of that which they owe and their cash flow. As I understand it, and I made some effort to find out, you list that, then you add the personal expenses, and match that against the new Farm Bill. Then if it does not show they can break even, you try to talk them out of even making application.

I am raising this now because that is the information I have. I am doing it so, if it is not correct, you can tell us what you really are doing.

Mr. NAYLOR. Mr. Chairman, Mr. Clark will undoubtedly want to comment further——

WORLD AGRICULTURAL MARKET

Mr. WHITTEN. When you read about 40 to 50 suicides, and when you recall that, in 1973, '74, '75, in 1980 we restricted exports through embargoes, it raises serious questions. The only way we have made dairy products available on the world market is to let New Zealand convert it from butter to oil, and they in turn sell it to Russia, which we knew in advance. We just let those New Zealand farmers make the money out of it.

And I am convinced, from years on this Committee, that the biggest advantage we have over Russia and over Communism is the ability to produce food. But at a time when there are hundreds of countries where they have hunger and a need for clothing, we are paying our people not to produce.

You know, farm income is price times volume less cost. From World War II the share of the consumer dollar that labor and industry get has gone up from 49 percent to 73 under law, while the farmers share has dropped from 51 percent to 27 percent. And you have got the farmer looking to the Treasury for money while the benefits are really going to the buyer or consumer.

Now, that would be bad if the law did not authorize the Secretary to prevent that from happening through the Commodity Credit Corporation, which is set up for the purpose of helping with exports. It was set up to make up the difference between the world market price and the cost of production to the farmer in the U.S.

Now, we do the best we can, but it looks to me like the present policy is to liquidate American agricultural as far as basic commodities are concerned. From today's paper and from talking to folks, it seems to me you have wrecked the cattle market.

Back when Mr. Benson was Secretary of Agriculture, we had some droughts, so he bought cattle, instead of giving them feed. He brought up the entire market. He then made an announcement he was not buying hogs, but if they went down to dollar $0.11 he would buy them. So they went down to dollar $0.11.

These mistakes are a matter of record. May I say, at that time we finally got him to offer for CCC stocks sale—and he sold millions of dollars of commodities in a few months.

These things are on our mind. And I think it has got this country right on the brink of a serious depression. We will be glad to hear from you and Mr. Clark what is being done, how soon we are going to hit the bottom, and what we can do at this point to straighten it out.

FMHA'S EFFORTS TO HELP FARMERS

Mr. NAYLOR. Mr. Chairman, let me address first the Farmers Home Administration issue. I think Secretary Lyng and others have addressed some of the concerns you have in earlier testimony.

We believe with the implementation of the Farm Bill that we are at the bottom, and we are going to begin some strengthening and improvement as the year goes on. It is a difficult period, there is no question about that.

Farmers Home Administration, more than any other lender, has taken a very compassionate and very aggressive effort to continue the supply of credit to American producers. We have a very lengthy and extensive process to find every conceivable way that we could possibly extend credit to any borrowers that come to our doors to work with us.

Specifically, we sit down with the producers, and we go through a series of steps, the first of which is to take into consideration all sources of income, including the farm programs. You then evaluate his current debt situation, any cash flow without any special consideration, and if he can, you make the loan on that basis. If he cannot, then we go through a series of concessions that we can make to that borrower to assist him to stay in operation, including reamortizing his loan, getting him a lower interest rate loan, indeed setting aside principal and interest on a substantial portion of that loan.

Each of these steps is intended to see if it is at all possible to make him a reasonable loan and whether there is any remote possibility he may be able to repay that loan at some time in the future, even if we defer it for five years.

Only after we have exhausted every one of these options, beause we are the lender of last resort, do we advise a borrower that we simply are unable to see how we can provide him with credit on a basis on which there is not any opportunity of repayment.

LEGAL AUTHORITIES

Mr. WHITTEN. Under the law you have the authority to waive interest, to waive payments, to do anything to keep a farmer in business. Do you not have that authority?

Mr. NAYLOR. We have broad discretionary authority.

Mr. WHITTEN. I say you have the authority that I mentioned—to waive payments, to waive interest, to do whatever it takes to keep a fellow in business. Do you have that authority under the law?

Mr. NAYLOR. We have broad discretion——

Mr. WHITTEN. I asked you a question. I asked you if you did not have the authority I enumerated under the law?

Mr. NAYLOR. We have broad discretionary authority, including those options.

EFFORTS TO SAVE FARM CREDIT SYSTEM

Mr. WHITTEN. The term broad, like many of your answers, covers a lot of things.

In talking to the local offices, they simply do not have any applications. And I think Mr. Clark is going to give us information on the application form. I have copies of that form I can put in the record if need be.

[CLERK'S NOTE.—The application form appears on pages 1167 through 1168.]

I say here, and I say it candidly, we have had an investigation going for some years on military procurement policies and practices. Policies are what you say you do, practices are what you actually do. And I have to say, Mr. Naylor, that the practices have been considerably different from the policies that we have heard from you.

I notice too that you are trying to bail out the farm credit system. As you recall, the bill that came to the House provides that they could just draw on the Commodity Credit Corporation without limit.

How in the world can a farm credit system ever prosper if the persons who do business with it, the farmers, do not make any money? How can you save the farm credit system when you draw on those places where they have crops, where they have accumulated some equity, calling on it to take care of the need? If the farmer does not make any money, what need do you have for a manager? Have you answered that yet before the Senate?

Mr. NAYLOR. Mr. Whitten, I have not appeared for confirmation hearing yet. I understand your question——

Mr. WHITTEN. I do not understand your answer.

PASSAGE OF FARM BILL

Mr. NAYLOR. Mr. Chairman, the Congress of the United States passed the Farm Bill. This Administration put it in place. It was intended clearly to commit the funds to do much of what you are asking. The expectation is that the legislation that was signed in December will indeed be of considerable assistance for American farmers and will help them through a transitional period.

Mr. WHITTEN. I have not found any member of Congress that is proud of that bill.

Mr. NAYLOR. Perhaps they want to review the votes.

Mr. WHITTEN. I have not found him yet. The only folks I have heard who are proud of it are maybe you and a few others.

Mr. NAYLOR. I am simply representing what happens to be the case. The Congress passed a bill and we are obliged to carry it out.

Mr. WHITTEN. I do not know of anything in the bill that says you should set up this cash flow requirement which is eliminating applicants. Where is that in the bill?

Mr. NAYLOR. The bill or the law concerning Farmers Home says that the loans are expected to be repaid at some point in time.

ECONOMIC IMPACT OF FARM BILL

Mr. WHITTEN. But your Department, by holding products off world markets and giving up our foreign markets, has created this crisis. The law says that you have the right to take that into consideration, to waive interest, to waive payments. I cannot see any sound reason why you should not do it.

I raise the question with you. And I do not care to proceed further. But I have given you a chance to answer these questions that we have. You may want to turn to Mr. Clark. I know of nothing in the law that calls for the policies that have been pointed out to me and which Mr. Clark has testified to previously.

The reason I feel so strongly about it is that history shows this is what pulls down the economy. When you have a Federal debt increase of a trillion dollars, when you see that for all our domestic industry—textiles, shoes, steel—we are giving our markets away to foreign countries. I think the situation is serious enough to raise it with you.

Mr. NAYLOR. I understand, Congress has provided funds to Farmers Home Administration. We must at some time in the future, even using all the options you described be able to see some remote expectation that it will be paid. It is not a grant. You have not written the law as a grant and only in those handful of cases do we end up with cases you make reference to——

Mr. WHITTEN. Before we finish today, we will want to know what the number of applications is this year compared with last year. The reports to me are that most folks aren't applying because of this cash flow requirements. Do you care to proceed?

Mr. NAYLOR. Mr. Clark has a statement concerning the agency.

Mr. WHITTEN. I would ask him to answer the questions we have raised in presenting his prepared statement.

Mr. NAYLOR. I will ask him to proceed with his statement and to respond to your questions.

Mr. WHITTEN. We would be pleased if you would do so.

[CLERK'S NOTE.—Mr. Clark's prepared statement appears on pages 1281 through 1285. The explanatory notes appear on pages 1286 through 1436.]

Mr. CLARK. Thank you, Mr. Chairman. We do share your concern about the well-being of American agriculture. We appreciate the opportunity to discuss the budget for the 1987 fiscal year. As you are aware, 1985 marked the 50th anniversary of FmHA and its predecessor agencies. The present and former agencies, under whatever names, have been assigned a wide variety of tasks over the years relating to farming and other aspects of rural and small-town America. Some programs were dropped over the years, having lived out their usefulness, and others were added. I might add I think maybe too many were added to our agency.

ASSISTANCE TO FARMERS

For that half-century, Mr. Chairman, the record shows more than 9.6 million loans and grants totaling almost $134 billion. The largest share of that assistance, approximately one-half the total, went to farmers: 4.4 million loans and grants totaling $63 billion. We closed out the 1985 fiscal year with a portfolio of almost 2 million loans and grants approaching $70 billion.

When you compare the current portfolio with the all-time totals, it becomes obvious that the greatest degree of growth has come in recent, rather than the early, years.

Last year's farm operating loans, for example, totaled $4.7 billion, by far the most funds ever committed by the agency to that one program. Farm loans accounted for almost $6 billion of the $9.5 billion obligated in farm, housing and community programs. Of particular interest is the fact that total guaranteed farm loans, both operating and ownership, exceeded $1 billion for the first time. That represents a concerted effort by the Administration to encourage the private, commercial credit industry to extend its services to the agricultural community, with the Government acting as guarantor in those cases where necessary to enable a good farmer to continue in operation.

FISCAL YEAR 1987 REQUEST

As we all know, Mr. Chairman, most things change over time, including our needs and our perception of those needs. Today, we are in a period of budget austerity with widespread public support to get our fiscal house in order, while at the same time retaining certain essential services. In line with this, we are requesting, for the fiscal year 1987, a total budget of just under $4.6 billion, including $382.6 million for administrative expenses. That may not seem like an austere budget to some, but we believe it meets the President's goals of a balanced budget achieved through reduced Federal spending and less public reliance on the Government for those services best provided through the private sector.

Nevertheless, this amount will provide a substantial amount for the farm operating loan program—$1.5 billion in direct loans and $2.5 billion in guaranteed loans for the farmers. This is a noticeable increase over the $3.2 billion budgeted for operating loans this year and reflects the Administration's concern that adequate operating credit be available to our Nation's farmers. In addition to the $3.2 billion budgeted in 1986, recently the Administration has made available an additional $750 million, citing the extraordinary farming situation as cause.

These 1987 levels will provide for more than 50,000 farm operating loans, which is an increase of about 5,000 loans over the FY 1986 budgeted program estimate. This represents a substantial increase after inflation in this critical credit need.

TERMINATION OF SEVERAL PROGRAMS

Taking into consideration the deficit situation and the expense of increasing the Federal debt, we are proposing legislation to terminate the farm ownership loan program and the other, smaller farm real estate loan programs.

Our budget request for the Agricultural Credit Insurance Fund also includes $2,440,203,000 to reimburse the Fund for interest subsidies and losses of prior years.

No funds are requested for the housing and community programs, which we propose be terminated. However, in the Rural Housing Insurance Fund for FY 1987, the budget request includes $2,714,566,000 for interest subsidies and losses from prior years, and authority to carry out rental assistance contracts obligated in previous years.

Similarly, the budget includes $736,619,000 for the Rural Development Insurance Fund for interest subsidies and losses of prior years. In the future, housing assistance for rural areas will be available through the Department of Housing and Urban Development. Federal assistance for water and sewer projects and other community development projects will be part of the community development block grants administered by the Department of Housing and Urban Development and waste water construction grants will be administered by the Environmental Protection Agency.

REQUEST FOR SALARIES AND EXPENSES

For salaries and expenses, the budget request includes $382,639,000. This level, added to the amounts transferred from the revolving funds for necessary administrative expenses, will provide for an employment ceiling level of 11,000 staff years. Although this is below the levels of recent years, the termination of loan-making in several programs will allow us to concentrate our staff efforts on farm operating loan-making and servicing of the nearly $70 billion portfolio. We expect these concentrated efforts to result in more operational stability for our relatively low-income borrowers and enhanced loan servicing throughout our portfolio.

In addition, we are continuing our major project to modernize our communications, recordkeeping and accounting functions. We expect to bring on-line our first multifunction work stations this year and to virtually complete this conversion by the close of FY 1987. We expect to see substantial benefits of this more up-to-date technology in the near term.

Mr. Chairman, this completes the highlights of the Budget proposals. As in the past, we have a brief history of the Agency which includes additional statistical data, that we would like to give you for the record, if you like. We appreciate the support of this Committee.

I think with that, Mr. Chairman, I would be happy to answer questions for you.

LOAN APPLICATION FORMS

Mr. **WHITTEN.** I can understand some of the problems that we have. Through the years our committee and congress have held the budget below the President's budget. As I look at the 1987 budget about the only thing you leave is the operating loans. And at this point I would like for you to put in the record the forms that are used for making applications for loans at the local level. List the information that you require such as personal living expenses, and various and sundry other things.

[The information follows:]

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Position 3

FORM APPROVED
OMB No. 0575-0056

United States Department of Agriculture
FARMERS HOME ADMINISTRATION

APPLICATION FOR FmHA SERVICES

FOR COUNTY OFFICE USE
Race (Ethnic Code) Check One
W ☐1 N ☐2 O ☐3 AI ☐4 S ☐5

(Please Print or Write Plainly)

1. NAME (FIRST) (MIDDLE) (LAST) SOCIAL SECURITY NO. NICKNAME OR KNOWN AS

2. WIFE'S NAME (FIRST) (MIDDLE) (MAIDEN) SOCIAL SECURITY NO. TELEPHONE NO.

3. COMPLETE ADDRESS (ROUTE, POST OFFICE, STATE, ZIP CODE, COUNTY)

4. AGES OF PERSONS IN HOUSEHOLD	HUSBAND	WIFE	SONS	DAUGHTERS	OTHERS

5. ARE YOU A CITIZEN OF THE UNITED STATES? ☐ YES ☐ NO IS YOUR WIFE A CITIZEN OF THE UNITED STATES? ☐ YES ☐ NO

6. HIGHEST GRADE OF SCHOOL COMPLETED BY APPLICANT (CIRCLE APPROPRIATE YEAR)
ELEMENTARY: 1 2 3 4 5 6 7 8
HIGH SCHOOL: 1 2 3 4
COLLEGE: 1 2 3 4 5 6 OR MORE

7. ARE YOU A VETERAN? ☐ YES ☐ NO IF "YES" INDICATE SERVICE FROM ________ TO ________

8. MY FARM OR RESIDENCE IS LOCATED ________ MILES (DIRECTION)
FROM (TOWN) ON ROAD
IT ADJOINS THE PROPERTY OF

9. ARE YOU FARMING OR RANCHING NOW? ☐ YES ☐ NO
IF NOT, WHEN DID YOU LAST OPERATE A FARM? ________ 19____ NUMBER OF YEARS EXPERIENCE OPERATING A FARM ________

10. DO YOU OWN OR RENT FARM YOU PLAN TO OPERATE? ☐ OWN & RENT ☐ RENT ☐ OWN
DO YOU LIVE ON FARM YOU PLAN TO OPERATE? ☐ YES ☐ NO
IF YES, HOW LONG HAVE YOU LIVED ON THIS FARM? ________ YRS

	(LAST YR.)	(NEXT YR.)		(LAST YR.)	(NEXT YR.)
TOTAL ACRES OWNED			TOTAL ACRES RENTED		
CROP ACRES OWNED			CROP ACRES RENTED		

11. IF AN OWNER, WHEN DID YOU ACQUIRE THE LAND? ________ 19____
HOW? (PURCHASED, INHERITED, ETC.)
FROM WHOM?
IF PURCHASED, GIVE PURCHASE PRICE $ ________

12. IF YOU RENT OR PLAN TO RENT, GIVE NAME AND ADDRESS OF LANDLORD
TERMS AND LENGTH OF LEASE
ANNUAL CASH RENT PAID LAST YEAR .... $ ________
VALUE OF SHARE OR OTHER NON-CASH RENT LAST YEAR $ ________

13. NAME AND ADDRESS OF BANK WITH WHICH YOU LAST HAD A ☐ CHECKING OR SAVING ACCOUNT ☐ LOAN ACCOUNT

14. AMOUNT BORROWED FOR OPERATING PURPOSES OR BUSINESS LAST YEAR .... $ ________
FROM WHOM?

15. HAVE YOU OR YOUR SPOUSE EVER OBTAINED A LOAN FROM FARMERS HOME ADMINISTRATION.. ☐ YES ☐ NO
IF YES, WAS THE LOAN PAID IN FULL?.. ☐ YES ☐ NO

16. WHAT KIND OF NONFARM WORK DO YOU AND MEMBERS OF YOUR FAMILY DO?
________ ________ (HUSBAND)
________ (WIFE)
________ (OTHER)

17. NAME AND ADDRESS OF EMPLOYER(S)
________ (HUSBAND)
________ (WIFE)
NUMBER OF YEARS WITH EMPLOYER(S) AND INCOME LAST YR. ________ YRS $ ________ (HUSBAND) ________ YRS $ ________ (WIFE)

18. TOTAL CASH INCOME LAST YEAR:
LIVESTOCK AND LIVESTOCK PRODUCTS SOLD $ ________
CROPS SOLD .... ________
OTHER FARM INCOME .... ________
NONFARM INCOME (SALARY, PENSIONS, DIVIDENDS, RENTS, ETC.) .... ________
TOTAL $ ________

19. TOTAL CASH EXPENSES LAST YEAR:
FAMILY LIVING .... $ ________
FARM OPERATING .... ________
NONFARM OPERATING .... ________
PERSONAL, REAL ESTATE AND INCOME TAXES PAID ________ $ ________
OTHER (CAPITAL GOODS PURCHASED, DEBTS PAID, ETC.) .... ________
TOTAL EXPENSE $ ________

20. CASH VALUE OF FOOD PRODUCED FOR HOME USE LAST YEAR $ ________

FmHA 410-1 (Rev. 12-7-72)

21. FINANCIAL STATEMENT AS OF DATE OF APPLICATION

(Show property owned and debts owed by applicant and spouse)

LIST ALL PROPERTY OWNED		
REAL ESTATE (LOCATION):	ACRES	VALUE
FARM		$
OTHER REAL ESTATE		
TOTAL REAL ESTATE		$
LIVESTOCK:	NO.	VALUE
LIVESTOCK HELD FOR SALE		$
DAIRY COWS		
BEEF COWS		
OTHER CATTLE		
BROOD SOWS AND GILTS		
OTHER HOGS		
EWES		
OTHER SHEEP		
POULTRY		
TOTAL LIVESTOCK		$
MACHINERY AND EQUIPMENT:		
AUTO $ TRUCK $		$
TRACTOR(S)		
OTHER FARM MACHINERY		
TOTAL MACHINERY AND EQUIPMENT		$
OTHER PERSONAL PROPERTY:	QUAN.	VALUE
CROPS HELD FOR SALE		$
GROWING CROPS		
FEED		
SEED AND SUPPLIES		
HOUSEHOLD GOODS		
CASH ON HAND		
BONDS AND INVESTMENTS		
ACCTS. OWED US—COLLECTIBLE		
TOTAL OTHER PERSONAL PROP.		$
TOTAL PROPERTY OWNED		$

LIST ALL DEBTS OWED					
NAME AND ADDRESS OF CREDITOR	FINAL DUE DATE	INTEREST RATE	ANNUAL INSTAL.	AMOUNT DELINQ.	UNPAID BALANCE
LIENS ON REAL ESTATE:					
			$	$	$
TOTAL LIENS ON R. E.			$	$	$
LIENS ON CHATTELS AND CROPS:					
			$	$	$
TOTAL LIENS CHATTELS & CROPS			$	$	$
JUDGMENTS:					
TOTAL JUDGMENTS			$	$	$

TAXES DUE: REAL ESTATE $ ______ PERSONAL $ ______	
INCOME & SOCIAL SECURITY $ ______ TOTAL TAXES DUE	$
ALL OTHER DEBTS (DOCTOR, STORE, ETC., DESCRIBE):	
	$
TOTAL OTHER DEBTS	$
TOTAL ALL DEBTS	$

22. FOR WHAT PURPOSE DO YOU NEED FARMERS HOME ADMINISTRATION SERVICES?

____

23. I am unable to provide the above items ~~on my own~~ account, and I am unable to secure the credit necessary for such items from other sources upon terms and conditions which I can reasonably fulfill. I CERTIFY that the statements made by me in this application are true, complete and correct to the best of my knowledge and belief, and are made in good faith to obtain a loan.

DATE ______________, 19 ____

____
(SIGNATURE OF APPLICANT)

____
(SIGNATURE OF SPOUSE)

24. TO BE COMPLETED BY COUNTY SUPERVISOR

TYPE OF LOAN APPLIED FOR: ☐ OL ☐ EM ☐ FO ☐ RH ☐ SW ☐ SO OTHER ______________ (SPECIFY)

CONDITION OF HOUSE ☐ 1 ☐ 2 ☐ 3

PLUMBING FACILITIES IN HOUSE ☐ 1 ☐ 2 ☐ 3 SYSTEM OF FARMING LAST YEAR: ______________

U S GPO 1983-0-764-007/6541

FORM FmHA 431-1
(Rev. 10-5-78)

Position 1

FORM APPROVED OMB No. 0575-0001

U. S. DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

LONG-TIME FARM AND HOME PLAN

TO BE IN FULL OPERATION BY 19 ______

NAME

STATE

COUNTY

A. SYSTEM OF FARMING

B. MAJOR CROPS

ITEM CROPS, PASTURE, ETC.	ACRES PRESENT	ACRES PLANNED	PRODUCTION PER ACRE PRESENT	PRODUCTION PER ACRE PLANNED

C. MAJOR LIVESTOCK

KIND OF LIVESTOCK	NUMBER OF ANIMALS PRESENT	NUMBER OF ANIMALS PLANNED	ANNUAL PRODUCTION PER ANIMAL PRESENT	ANNUAL PRODUCTION PER ANIMAL PLANNED

D. CAPITAL PURCHASES AND COST OF IMPROVEMENTS NEEDED TO CARRY OUT THIS PLAN. (INDICATE ESTIMATED COST OF LIVESTOCK, MACHINERY, FARM AND HOME EQUIPMENT, AND REAL ESTATE IMPROVEMENTS, SUCH AS DRAINAGE, LAND CLEARING, PASTURE DEVELOPMENT, FENCING, BUILDING, ETC.

LIVESTOCK, MACHINERY, AND EQUIPMENT				REAL ESTATE IMPROVEMENTS			
ITEM	NUMBER	APPROXIMATE COST	YEAR TO BE PURCHASED	ITEM	NUMBER	APPROXIMATE COST	YEAR TO BE PURCHASED
		$				$	
TOTAL	X X X	$	X X X X X	TOTAL	X X X	$	X X X X X

E. MAJOR CHANGES AND IMPROVEMENTS IN FARM, CROPS, LIVESTOCK, AND HOME AND FAMILY LIVING

(Indicate on reverse of form the changes and improvements to be made and show planned completion dates following each item. Do not include key practices and other improvements which are to be documented in Table D of Form FmHA 431-2.)

WE AGREE to follow this plan and to discuss with the County Supervisor any important changes that may become necessary.

Date	Signature of Borrower	Signature of Co-Borrower

FmHA needs this information to further define your financial situation and to assist you in making sound financial decisions. The form will be used as an educational tool to determine the soundness of the proposed loan.	Est. time needed for completion: 20 minutes. No. of copies required: Original only.	No further monies or other benefits may be paid out under this program unless this plan is completed and filed as required by existing regulations. (7 CFR, Chapter XVIII, Parts 1941, 1943 and 1945.	Signature of County Supervisor

U S GPO 1981-0-564-009/1588

USDA-FmHA
Form FmHA 431-2
(Rev. 6/85)

Petition 1

FORM APPROVED
OMB NO. [illegible]
EXPIRATION DATE AVAIL. ON REQUEST

FARM AND HOME PLAN

COUNTY

NAME OF BORROWER	NAME OF CO-BORROWER	ADDRESS & TELEPHONE NO.

AGES OF PERSONS IN HOUSEHOLD	Borrower	Co-Borrower	Children	Others	TOTAL ACRES (OWNED) (RENTED)	CROP ACRES (OWNED) (RENTED)	OPERATED SAME FARM LAST YEAR? ☐ YES ☐ NO
							WRITTEN LEASE? ☐ YES ☐ NO

TERMS OF LEASE

PERIOD OF LEASE ______, 19___ TO ______, 19___

A. FINANCIAL STATEMENT AS OF ______, 19___

PROPERTY OWNED

REAL ESTATE (LOCATION)	ACRES	VALUE
FARM		
OTHER REAL ESTATE		
TOTAL REAL ESTATE		
LIVESTOCK	**NO**	**VALUE**
LIVESTOCK HELD FOR SALE		
DAIRY COWS		
BEEF COWS		
OTHER CATTLE		
BROOD SOWS AND GILTS		
OTHER HOGS		
EWES		
OTHER SHEEP		
POULTRY		
TOTAL LIVESTOCK		
MACHINERY AND EQUIPMENT		
TRUCK(S) YR ____ MAKE		
TRACTOR(S) YR ____ MAKE		
MAJOR ITEMS OF EQUIPMENT		
OTHER FARM MACHINERY		
TOTAL MACHINERY AND EQUIPMENT		
OTHER PERSONAL PROPERTY	**QUAN OR NO**	**VALUE**
CROPS HELD FOR SALE		
GROWING CROPS		
FEED		
SEED AND SUPPLIES		
AUTO YR ____ MAKE		
HOUSEHOLD GOODS		
CASH ON HAND		
BONDS AND INVESTMENTS		
ACCTS. OWED US—COLLECTIBLE		
TOTAL OTHER PERSONAL PROP.		
TOTAL PROPERTY OWNED		

DEBTS OWED

NAME AND ADDRESS OF CREDITOR	FINAL DUE DATE	INTEREST RATE	ANNUAL INSTAL.	AMOUNT DELINQ.	UNPAID BALANCE
LIENS ON REAL ESTATE					
TOTAL LIENS ON R. E.					
LIENS ON CHATTELS AND CROPS					
TOTAL LIENS CHATTELS & CROPS					
JUDGMENTS					
TOTAL JUDGMENTS					

TAXES DUE: REAL ESTATE $ ______ PERSONAL $ ______

INCOME & SOCIAL SECURITY $ ______ TOTAL TAXES DUE ______

ALL OTHER DEBTS (DOCTOR, STORE, ETC., DESCRIBE)

TOTAL OTHER DEBTS ______

TOTAL ALL DEBTS ______

1. TOTAL OF CASH ON HAND, CROPS AND LIVESTOCK HELD FOR IMMEDIATE SALE, AND INCOME TO BE RECEIVED IN IMMEDIATE FUTURE
2. DEBTS AND EXPENSES WE WILL PAY FROM ABOVE CASH AND INCOME (Itemize)
3. CASH CARRY-OVER FOR NEXT YEAR'S OPERATIONS AFTER PAYING THESE DEBTS

	BEGINNING OF YEAR	END OF YEAR	INCREASE OR DECREASE (FmHA use only)
4. NET WORTH (TOTAL PROPERTY OWNED MINUS TOTAL ALL DEBTS)			
5. TOTAL LAND DEBT			
6. TOTAL DEBTS OTHER THAN LAND			

PERIOD COVERED BY PLAN: FROM ______ 19___ TO ______ 19___

The information requested on this form is being collected in order (1) for FmHA to make loan and/or servicing decisions and (2) to provide management assistance to borrowers. The FmHA retains the form in the borrower's file for future reference. The information collected on this form is required for a borrower to obtain the benefits of a Farmer Programs loan from FmHA.

NOTE: All "actual" data to be completed by end of crop year

B. CROPS, PASTURE, ETC.—PRODUCTION AND SALES

	PLANNED						ACTUAL						
			OPERATOR'S SHARE						OPERATOR'S SHARE				
			UNITS FOR						UNITS				
CROPS, PASTURE, SET ASIDE PROGRAM PAYMENTS, ETC.	ACRES	YIELD PER ACRE	FARM USE	SALE	@	DOLLAR SALES	ACRES	YIELD PER ACRE	FARM USE	HELD FOR SALE	SOLD	@	CASH INCOME
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14 FARMSTEAD GARDEN AND ROADS													
15 TOTAL (ENTER TABLE J, LINE 1)													

C. LIVESTOCK AND PRODUCTS—PRODUCTION AND SALES

	PLANNED						ACTUAL						
			OPERATOR'S SHARE						OPERATOR'S SHARE				
			UNITS FOR						UNITS				
LIVESTOCK AND PRODUCTS AND WOOL MOHAIR PROGRAM PAYMENTS	NO.	PROD. PER ANIMAL	FARM USE	SALE	@	DOLLAR SALES	NO.	PROD. PER ANIMAL	FARM USE	HELD FOR SALE	SOLD	@	CASH INCOME
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13 MILK (LBS.)													
14 EGGS (DOZ.)													
15 TOTAL (ENTER TABLE J, LINE 2)													

D. IMPROVEMENTS AND KEY PRACTICES—FARM, HOME, AND FINANCIAL MANAGEMENT

CROPS, SOIL, LIVESTOCK, FINANCIAL MANAGEMENT, MAINTENANCE, REPAIRS, FOOD PRODUCTION AND CONSERVATION, HEALTH, HOME, ENVIRONMENTAL, COMMUNITY AND RURAL DEVELOPMENT ACTIVITIES, ETC.	WHEN TO DO IT	SOURCE OF FUNDS	ACTUAL ACCOMPLISHMENTS

TYPE OF ANALYSIS (____________________) MONTH

E. FAMILY LIVING AND INSURANCE

CHECK IF YOU HAVE	☐ RUNNING WATER	☐ REFRIGERATOR	☐ WASHING MACHINE	☐ TELEPHONE	☐ SEWING MACHINE
	☐ FULL BATH	☐ HOME FREEZER	☐ DRYER	☐ TELEVISION SET	☐ WATER HEATER

TYPE OF INSURANCE	FACE VALUE			TYPE OF INSURANCE	FACE VALUE		
	PRESENT	PLAN	ACTUAL		PRESENT	PLAN	ACTUAL
DWELLING				LIFE			
OTHER REAL ESTATE				HEALTH			
CHATTELS				HOUSEHOLD GOODS			
FARM LIABILITY				AUTO			

F. CASH FAMILY LIVING EXPENSES	OTHER CREDIT NEEDED	FHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES
HOUSEHOLD OPNG.				
FOOD INCL. LUNCHES				
CLOTH. PERS. CARE				
HEALTH				
HOUSE REPAIR AND SANITATION				
SCHOOL				
CHURCH, RECREATION				
PERS. INSURANCE				
TRANSPORTATION				
FURNITURE & OTHER				
TOTAL				

G. CASH FARM OPERATING EXPENSES	OTHER CREDIT NEEDED	FHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES
HIRED LABOR				
MACHINERY REPAIR				
FARM BUILDING & FENCE REPAIR				
INTEREST				
RENT				
FEED				
SEED				
FERTILIZER				
PESTICIDES & SPRAY MATERIALS				
OTHER SUPPLIES				
LIVESTOCK EXPENSE				
MACHINERY HIRE				
FUEL AND OIL				
PERSONAL PROP. TAX				
REAL ESTATE TAXES				
WATER CHARGES				
PROPERTY INSURANCE				
AUTO & TRUCK EXPENSE				
UTILITIES				
CURRENT OPNG. BILLS (TABLE A)				
TOTAL				

H. CAPITAL EXPENDITURES	OTHER CREDIT NEEDED	FHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES
DEBTS REFINANCED (TABLE A)				
TOTAL				

I. CREDIT FOR:	OTHER	FHA	TOTAL	ACTUAL
FAMILY LIVING				
FARM OPERATING				
CAPITAL EXPENDITURES				
TOTAL				

J. SUMMARY OF YEAR'S BUSINESS	PLAN	ACTUAL
1. CROP INCOME (*Table B*)		
2. LIVESTOCK INCOME (*Table C*)		
3. CONSERVATION PAYMENTS AND OTHER FARM INCOME		
4. TOTAL CASH FARM INCOME (*1, 2 and 3*)		
5. CASH FARM OPERATING EXPENSES (*Table G*)		
6. NET CASH FARM INCOME (*4 Minus 5*)		
7. NON FARM INCOME		
8. TOTAL NET CASH FARM & NON FARM INCOME (*6 Plus 7*)		
9. CASH FAMILY LIVING EXPENSES (*Table F*)		
10. NET CASH INCOME (*8 Minus 9*)		
11. CASH CARRY OVER (*Page 1, Line 3*)		
12. LOANS AND OTHER CREDIT (*Table I*)		
13. INTEREST (*Table G*)		
14. TOTAL AVAILABLE (*10, 11, 12 and 13*)		
15. CAPITAL EXPENDITURES (*Table H*)		
16. BALANCE AVAILABLE (*14 Minus 15*)		
17. GROSS CASH INCOME (*4 Plus 7*)		

K. DEBT REPAYMENT

TO WHOM OWED	AMOUNT DUE THIS YEAR (PRIN. AND INT.)	PLAN			ACTUAL AMOUNT PAID
		PRIN. AND INT. TO BE PAID	DATE	SOURCE OF FUNDS	
	$	$			$
INCOME AND SOCIAL SECURITY TAXES					
TOTAL					

We agree to follow this plan and to discuss with the County Supervisor any important changes that may become necessary.

This instrument is a prospective plan only and does not release the security interest of the government in any security referred to herein.

(Date)

(Borrower)

(Co-Borrower)

(County Supervisor)

Form FmHA 431-2 (Page 4)

☆ U.S. GOVERNMENT PRINTING OFFICE : 1985—564-031/20501

Form FmHA 410-9
(Rev. 4-85)

Position 3

UNITED STATES DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

STATEMENT REQUIRED BY THE PRIVACY ACT

The Farmers Home Administration (FmHA) is authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et. seq.); and Title V of the Housing Act of 1949, as amended (42 U.S.C. 1471 et. seq.), or other Acts administered by FmHA to solicit the information requested on FmHA applications forms.

Disclosure of information requested is voluntary. However, failure to disclose certain items of information requested including your Social Security Account or Federal Identification Number may result in a delay in the processing of an application or its rejection.

The principal purposes for collecting the requested information are to determine eligibility for FmHA credit or other financial assistance, the need for interest credit or other servicing actions, for the servicing of your loan, and for statistical analysis. Information provided may be used outside of the Department of Agriculture for the following purposes:

1. Release to interested parties who submit requests under the Freedom of Information Act.
2. To provide the basis for borrower success stories in Department of Agriculture news releases.
3. Referral to the appropriate law enforcement agency as set forth in 40 FR 38924 (1975).
4. Referral to employers, businesses, landlords, creditors or others to determine repayment ability and eligibility for FmHA programs.
5. Referral to a contractor providing services to FmHA in connection with your loan.
6. Referral to a credit reporting agency.
7. Referral to a person or organization when FmHA decides such referral is appropriate to assist in the collection or servicing of the loans.
8. Referral to a Federal Records Center for storage.

Every effort will be made to protect the privacy of applicants and borrowers.

FEDERAL EQUAL CREDIT OPPORTUNITY ACT STATEMENT

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency which administers compliance with this law concerning the Farmers Home Administration is the Federal Trade Commission, Pennsylvania Avenue at Sixth Street N.W., Washington, D.C. 20580.

This is to acknowledge my receipt of the above and also, in the case of applicants for business and industry, limited profit rural rental housing and emergency loans to other than individuals, that I have read the reverse of this form, and accept the conditions stated thereon.

____________________________ __________________
Signature *Date*

Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

FOIA Notification

WARNING

All information supplied to Farmers Home Administration (FmHA) by you or your agents in connection with your loan application *may* be released to interested third parties, including competitors, without your knowledge or consent under the provision of the Freedom of Information Act (5 U.S.C. 552).

Much information not clearly marked "Confidential" may routinely be released if a request is received for same. Further, if we receive a request for information which you have marked "Confidential" the Federal Government will have to release the information unless you can demonstrate to our satisfaction that release of the information would be likely to produce substantial competitive harm to your business or would constitute a clearly unwarranted invasion of personal privacy. Also, forms, consultant reports, etc., cannot be considered confidential in their entirety if confidential material contained therein can reasonably be segregated from other information.

Information submitted may be made available to the public during the time it is held in Government files regardless of the action taken by FmHA on your application.

FmHA 432-1 (Rev. 1-30-79)

Form Approved OMB No. 0575-0061

Farm Family Record Book

From , 19 , to , 19 .

Name

Address

County State

United States Department of Agriculture
Farmers Home Administration

VALUE OF FARM FAMILY RECORDS

Every good businessman keeps books and a business must make a profit or it cannot exist. Farming is a business. Farmers who have kept and used records have found them to be helpful in planning improvements for successful operation of their farm and home business. Well-kept farm and home records will show us –

1. How much money we took in.
2. How much it cost us to operate our farm.
3. How much it cost our family to live.
4. What and how much we produced and whether we made or lost money.
5. Whether or not the amount produced was as much as we planned.
6. What foods we bought that could have been produced on our farm.
7. How much food the farm contributed to our family's living.
8. What we spent to keep up and improve our farm and home.
9. The amount we paid on debts and the amount still owed.
10. How much we owned at the end of the year and how much we have gained in net worth.
11. Those enterprises which brought us in the most money.
12. Whether or not we should make changes next year to do a better job of running our farm and home.

HOW TO KEEP THE RECORDS BOOK

1. At the beginning of each year, complete the inventory in the "Five Year Inventory Record" which is inserted in this book.

2. Decide who will keep the book; when items will be written in; and where the book will be kept.

3. Enter the item and the amount of all money taken in on the page for each month. Include sales of items for which part or all of the money is to be received later.

4. Enter the item and the amount of all money paid out on the page for each month. Include the amounts charged.

5. At the end of each month, carry the totals to the "Annual Summary" on pages 36 and 37. Pages 36 and 37, "Annual Summary," are folded to facilitate posting of monthly totals (pages 10 thru 33).

6. Use the food chart on page 41 to keep a record of the food furnished from the farm for family use.

FARM AND HOME PLAN

NAME OF HUSBAND	NAME OF WIFE	ADDRESS

AGES OF PERSONS IN HOUSEHOLD	HUSBAND	WIFE	SONS	DAUGHTERS	OTHERS	TOTAL (OWNED)	ACRES (RENTED)	CROP (OWNED)	ACRES (RENTED)	OPERATED SAME FARM LAST YEAR ☐ YES ☐ NO	WRITTEN LEASE ☐ YES ☐ NO

TERMS OF LEASE

PERIOD OF LEASE , 19 TO , 19

A. FINANCIAL STATEMENT AS OF , 19

PROPERTY OWNED			DEBTS OWED					
REAL ESTATE (LOCATION):	ACRES	VALUE	NAME AND ADDRESS OF CREDITOR	FINAL DUE DATE	INTEREST RATE	ANNUAL INSTAL	AMOUNT DELINQ	UNPAID BALANCE
FARM		$						
			LIENS ON REAL ESTATE:					
OTHER REAL ESTATE						$	$	$
TOTAL REAL ESTATE		$						
LIVESTOCK:	NO	VALUE						
LIVESTOCK HELD FOR SALE		$						
DAIRY COWS			**TOTAL LIENS ON R. E.**			$	$	$
BEEF COWS			**LIENS ON CHATTELS AND CROPS:**					
OTHER CATTLE						$	$	$
BROOD SOWS AND GILTS								
OTHER HOGS								
EWES								
OTHER SHEEP								
POULTRY								
TOTAL LIVESTOCK		$						
MACHINERY AND EQUIPMENT:								
TRUCK(S) YR ______ MAKE		$						
TRACTOR(S) YR ______ MAKE								
MAJOR ITEMS OF EQUIPMENT								
			TOTAL LIENS CHATTELS & CROPS			$	$	$
			JUDGMENTS:					
OTHER FARM MACHINERY			**TOTAL JUDGMENTS:**			$	$	$
TOTAL MACHINERY AND EQUIPMENT		$	**TAXES DUE:** REAL ESTATE $ ______ PERSONAL $					
OTHER PERSONAL PROPERTY:	QUAN OR NO	VALUE	INCOME AND SOCIAL SECURITY $				**TOTAL TAXES DUE**	$
CROPS HELD FOR SALE		$	**ALL OTHER DEBTS (DOCTOR, STORE, ETC., DESCRIBE):**					
GROWING CROPS								$
FEED								
SEED AND SUPPLIES								
AUTO YR ______ MAKE								
HOUSEHOLD GOODS								
CASH ON HAND								
BONDS AND INVESTMENTS								
ACCTS. OWED US—COLLECTIBLE								
TOTAL OTHER PERSONAL PROP.		$					**TOTAL OTHER DEBTS**	$
TOTAL PROPERTY OWNED		$					**TOTAL ALL DEBTS**	$

1. TOTAL OF CASH ON HAND, CROPS AND LIVESTOCK HELD FOR IMMEDIATE SALE, AND INCOME TO BE RECEIVED IN IMMEDIATE FUTURE	$
2. DEBTS AND EXPENSES WE WILL PAY FROM ABOVE CASH AND INCOME (Itemize)	
	$
3. CASH CARRY OVER FOR NEXT YEAR'S OPERATIONS AFTER PAYING THESE DEBTS	$

	BEGINNING OF YEAR	END OF YEAR	INCREASE OR DECREASE
4. NET WORTH (TOTAL PROPERTY OWNED MINUS TOTAL ALL DEBTS)	$	$	$
5. TOTAL LAND DEBT			
6. TOTAL DEBTS OTHER THAN LAND	$	$	$

PERIOD COVERED BY PLAN: FROM 19 TO 19

NOTE: All "actual" data to be completed by end of crop year

B. CROPS, PASTURE, ETC.—PRODUCTION AND SALES

PLANNED							ACTUAL						
			OPERATOR'S SHARE						OPERATOR'S SHARE				
			UNITS FOR						UNITS				
CROPS, PASTURE, SET-ASIDE PROGRAM PAYMENTS, ETC	ACRES	YIELD PER ACRE	FARM USE	SALE	@	DOLLAR SALES	ACRES	YIELD PER ACRE	FARM USE	HELD FOR SALE	SOLD	@	CASH INCOME
1.					$	$						$	$
2.													
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10.													
11.													
12.													
13.													
14. FARMSTEAD, GARDEN AND ROADS													
15. TOTAL (ENTER TABLE J, LINE 1)						$							$

C. LIVESTOCK AND PRODUCTS—PRODUCTION AND SALES

PLANNED							ACTUAL						
			OPERATOR'S SHARE						OPERATOR'S SHARE				
			UNITS FOR						UNITS				
LIVESTOCK AND PRODUCTS AND WOOL MOHAIR PROGRAM PAYMENTS	NO	PROD PER ANIMAL	FARM USE	SALE	@	DOLLAR SALES	NO	PROD PER ANIMAL	FARM USE	HELD FOR SALE	SOLD	@	CASH INCOME
1.					$	$						$	$
2.													
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10.													
11.													
12.													
13. MILK (LBS.)													
14. EGGS (DOZ.)													
15. TOTAL (ENTER TABLE J, LINE 2)						$							$

D. IMPROVEMENTS AND KEY PRACTICES—FARM, HOME, AND FINANCIAL MANAGEMENT

CROPS, SOIL, LIVESTOCK, FINANCIAL MANAGEMENT, MAINTENANCE, REPAIRS, FOOD PRODUCTION AND CONSERVATION, HEALTH, HOME, ENVIRONMENTAL, COMMUNITY AND RURAL DEVELOPMENT ACTIVITIES, ETC.	WHEN TO DO IT	SOURCE OF FUNDS	ACTUAL ACCOMPLISHMENTS

TYPE OF ANALYSIS ( ) MONTH

E. FAMILY LIVING AND INSURANCE

WE PLAN TO PRODUCE, PROCESS, AND USE FOR OUR FAMILY:

ITEM	PLAN	ACTUAL	ITEM	PLAN	ACTUAL
MILK (GAL.)			GARDEN (SIZE)		
EGGS (DOZ.)			CANNED AND FROZEN		
POULTRY (NO.)			VEGETABLES (QT.)		
PORK (LIVE WT. LB.)			FRUITS (QT.)		
BEEF (LIVE WT. LB.)			DRY STORED VEGETABLES (BU.)		
OTHER MEATS (LIVE WT. LB.)			DRY STORED FRUITS (BU.)		

TOTAL CASH VALUE OF FOOD ACTUALLY PRODUCED AND/OR PROCESSED FOR HOME USE $

TYPE OF INSURANCE	FACE VALUE			TYPE OF INSURANCE	FACE VALUE		
	PRESENT	PLAN	ACTUAL		PRESENT	PLAN	ACTUAL
DWELLING	$	$	$	LIFE	$	$	$
OTHER REAL ESTATE				HEALTH			
CHATTELS				HOUSEHOLD GOODS			
FARM LIABILITY				AUTO			

CHECK IF YOU HAVE	☐ RUNNING WATER	☐ REFRIGERATOR	☐ WASHING MACHINE	☐ TELEPHONE	☐ SEWING MACHINE
	☐ FULL BATH	☐ HOME FREEZER	☐ DRYER	☐ TELEVISION SET	☐ WATER HEATER

F. CASH FAMILY LIVING EXPENSES	OTHER CREDIT NEEDED	FHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES
HOUSEHOLD OPRG.	$	$	$	$
FOOD INCL. LUNCHES				
CLTH., PERS. CARE				
HEALTH				
HOUSE REPAIR AND SANITATION				
SCHOOL				
CHURCH, RECREATION				
PERS. INSURANCE				
TRANSPORTATION				
FURNITURE & OTHER				
TOTAL	$	$	$	$

G. CASH FARM OPERATING EXPENSES	OTHER CREDIT NEEDED	FHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES
HIRED LABOR	$	$	$	$
MACHINERY REPAIR				
FARM BUILDING & FENCE REPAIR				
INTEREST				
RENT				
FEED				
SEED				
FERTILIZER				
PESTICIDES & SPRAY MATERIALS				
OTHER SUPPLIES				
LIVESTOCK EXPENSE				
MACHINERY HIRE				
FUEL AND OIL				
PERSONAL PROP. TAX				
REAL ESTATE TAXES				
WATER CHARGES				
PROPERTY INSURANCE				
AUTO & TRUCK EXPENSE				
UTILITIES				
CURRENT OPRG. BILLS (TABLE A)				
TOTAL	$	$	$	$

H. CAPITAL EXPENDITURES	OTHER CREDIT NEEDED	FHA CREDIT NEEDED	PLANNED EXPENSES	ACTUAL EXPENSES
	$	$	$	$
DEBTS REFINANCED (TABLE A)				
TOTAL	$	$	$	$

I. CREDIT FOR:	OTHER	FHA	TOTAL	ACTUAL
FAMILY LIVING		$	$	$
FARM OPERATING				
CAPITAL EXPENDITURES				
	TOTAL	$	$	$

J. SUMMARY OF YEAR'S BUSINESS	PLAN	ACTUAL
1. CROP INCOME (*Table B*)		
2. LIVESTOCK INCOME (*Table C*)	$	$
3. CONSERVATION PAYMENTS AND OTHER FARM INCOME		
4. TOTAL CASH FARM INCOME (*1, 2 and 3*)	$	$
5. CASH FARM OPERATING EXPENSES (*Table G*)		
6. NET CASH FARM INCOME (*4 Minus 5*)	$	$
7. NON FARM INCOME		
8. TOTAL NET CASH FARM & NON-FARM INCOME (*6 Plus 7*)	$	$
9. CASH FAMILY LIVING EXPENSES (*Table F*)		
10. NET CASH INCOME (*8 Minus 9*)		
11. CASH CARRY-OVER (*Page 1, Line 5*)		
12. LOANS AND OTHER CREDIT (*Table I*)	$	$
13. INTEREST (*Table G*)		
14. TOTAL AVAILABLE (*10, 11, 12 and 13*)	$	$
15. CAPITAL EXPENDITURES (*Table H*)		
16. BALANCE AVAILABLE (*14 Minus 15*)	$	$
17. GROSS CASH INCOME (*4 Plus 7*)	$	$

K. DEBT REPAYMENT

TO WHOM OWED	AMOUNT DUE THIS YEAR (PRIN. AND INT.)	PLAN			ACTUAL AMOUNT PAID
		PRIN. AND INT. TO BE PAID	DATE	SOURCE OF FUNDS	
	$	$			$
INCOME AND SOCIAL SECURITY TAXES					
TOTAL	$	$			$

We agree to follow this plan and to discuss with the County Supervisor any important changes that may become necessary.

(DATE)

(BORROWER)

(WIFE)

SAMPLE ENTRIES AND SUGGESTIONS FOR CLASSIFYING CAPITAL EXPENDITURES

DATE	ITEM	HOME EQUIPMENT (1)	LIVESTOCK			FARM EQUIPMENT (5)	REAL ESTATE IMPROVEMENTS		OTHER (8)
			HOGS (2)	CATTLE (3)	OTHER (4)		LAND (6)	BUILDINGS (7)	
2-15	Milk Cow	$	$	$ 200.00	$	$	$	$	$
3-25	New Poultry House							225.00	
4-30	New Refrigerator	275.00							
6-14	Stock Pond						225.00		
8-20	Legume-grass seed						75.00		
10-10	New Pump for well					55.00			

COLUMN (1) Stoves, radio, sewing machine, refrigerator, home freezer, tables, rugs, etc.
COLUMN (2) Brood sows, gilts, pigs, boars, feeder hogs which will not be sold in record book year.
COLUMN (3) Bulls, cows, heifers, calves, feeder cattle which will not be sold in record book year.
COLUMN (4) Horses, mules, sheep, goats, chickens, rabbits, feeder lambs which will not be sold in record book year.
COLUMN (5) New and used machinery and equipment.
COLUMN (6) Trees, land clearing, lime (basic), new fences, irrigation improvements, tile and other drainage, berry bushes.
COLUMN (7) New buildings, major additions, plumbing, electric wiring, landscaping.
COLUMN (8) Bonds, postal savings, other capital investments, debts refinanced. Table A, Farm And Home Plan.

CAPITAL EXPENDITURES

Enter total cost whether cash or a loan. If a loan is secured, also show on page 9.

DATE	ITEM	HOME EQUIPMENT (1)	LIVESTOCK			FARM EQUIPMENT (5)	REAL ESTATE IMPROVEMENTS		OTHER (8)
			HOGS (2)	CATTLE (3)	OTHER (4)		LAND (6)	BUILDINGS (7)	
		$	$	$	$	$	$	$	$
TOTAL FOR YEAR (Add each column and transfer totals to Page 4, Table H, Actual column)									

SAMPLE ENTRIES AND SUGGESTIONS FOR CLASSIFYING "MONEY TAKEN IN"—PAGES 10–32

DATE	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$

COLUMN (1): All milk and milk products, dairy subsidy, additional payments from cooperatives.
COLUMN (2): All eggs.
COLUMN (3) or (4): All hogs, cattle, meat, chickens, turkeys, ducks, geese, horses, mules, goats, sheep, rabbits, bees, feathers, hides, wool, wool-mohair program payments.
COLUMN (5) and (6): All crop sales, fruits, truck crops, set-aside program payments.
COLUMN (7): Conservation payments, forest products, oil and gas leases or royalties, gravel, sand, pasture rent.
COLUMN (8): Non-farm work, investments, life insurance, custom work, GI payments, pensions.
COLUMN (9) and (10): May be used to record other sources of income, such as non farm enterprises.

SAMPLE ENTRIES AND SUGGESTIONS FOR ____________

DATE	ITEM	HIRED LABOR	MACHINERY REPAIR	FARM BLDGS. AND FENCE REPAIR	INTEREST	RENT	FEED	SEED	FERTILIZER	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS	OTHER SUPPLIES
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$

COLUMN (1): Cash for labor—including amounts withheld for social security taxes. In item column show name and social security number of person employed. Produce paid for labor (do not include value of exchange labor).
COLUMN (2): Small tools, machinery parts, strainer pads, tractor tires, etc.
COLUMN (3): Materials and contract work for repair and upkeep of farm buildings, etc.
COLUMN (4): Interest for the current year on all debts (old and new) including all FHA debts.
COLUMN (5): Cash rent, value of products paid as standing rent and labor given for rent.
COLUMN (6): Grain, hay, straw, commercial feed, salt, minerals, oyster shell, tankage, etc.
COLUMN (7): Seed, inoculation, plants, etc.
COLUMN (8): Commercial fertilizer, lime and phosphate for annual crops, etc.
COLUMN (9): Insecticides, poisons, weed killers, other chemicals, etc.
COLUMN (10): Twine, sacks, containers, boxes.

SAMPLE ENTRIES AND SUGGESTIONS FOR CLASSIFYiNG "FAMILY LIVING EXPENSES"—PAGES 11–33

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$

COLUMN (1): Gas, wood, coal, kerosene, other utilities, laundry supplies, locker rent, stamps, pest control (home), pressure canner, canning and freezing equipment, kitchen utensils, window drapes, curtains, linen, furniture repair, etc.
COLUMN (2): All food and drinks purchased, meals away from home, school lunches, etc.
COLUMN (3): Yard goods, cash paid for sewing, patterns, thread, shoe repair, cleaning, shaving and toilet supplies, barber and beauty shop, combs, shoe polish, cigarettes, other tobacco, etc.
COLUMN (4): Dentist, glasses, medicine, nurse, health association fees, etc.
COLUMN (5): All house repairs, varnish, paint, wallpaper, screening, etc.
COLUMN (6): School supplies, class dues, tuition, music lessons, etc.
COLUMN (7): Church offerings, papers, magazines, cameras, gifts, railroads, bus, indoor and outdoor games, movies, etc.
COLUMN (8): Premiums on life, accident, and burial insurance.
COLUMN (9): Cost of family transportation not related to recreation.
COLUMN (10): Purchase of home furniture and unusual expenses not recorded elsewhere.

CLASSIFYING FARM OPERATING EXPENSES—PAGES 10–33

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$

COLUMN (11): Veterinary, medicine, sprays, breeding fees, shearing, baby chicks, etc.
COLUMN (12): Threshing, ginning, hauling, machinery hire, corn picking, peanut picking, etc.
COLUMN (13): For tractor, brooder, stationary engine, grease, antifreeze for tractor, etc.
COLUMN (14): Farm real estate taxes, other real property taxes, personal property taxes, other taxes. (Do not include income taxes or social security taxes—include those items on page 35).
COLUMN (15): Tap fees, water servicing fees, irrigation and domestic water cost.
COLUMN (16): Buildings, personal property insurance, crop insurance, insurance of livestock and machinery, etc.
COLUMN (17): Gas, oil, grease, tires, antifreeze, license, insurance, repairs, etc.
COLUMN (18): Farm share of utilities (Not including water charges).
COLUMN (19): Processing and packing charges, brokerage, recording fees, farm organization dues, advertising, etc.
COLUMN (20): Operating bills incurred for current crop year (See table A—Farm And Home Plan).

CHARGE ACCOUNTS—30-60 DAYS

Enter under this heading 30-60-day accounts, usually paid monthly, such as open store accounts for groceries, clothing, mall hardware, etc.

WHOM OWED				TO WHOM OWED				TO WHOM OWED			
DATE	AMOUNT CHARGED	AMOUNT PAID	BALANCE	DATE	AMOUNT CHARGED	AMOUNT PAID	BALANCE	DATE	AMOUNT CHARGED	AMOUNT PAID	BALANCE
ALANCE LAST YEAR				BALANCE LAST YEAR				BALANCE LAST YEAR			

WHOM OWED				TO WHOM OWED				TO WHOM OWED			
DATE	AMOUNT CHARGED	AMOUNT PAID	BALANCE	DATE	AMOUNT CHARGED	AMOUNT PAID	BALANCE	DATE	AMOUNT CHANGED	AMOUNT PAID	BALANCE
ALANCE LAST YEAR				BALANCE LAST YEAR				BALANCE LAST YEAR			

OTHER LOANS AND CREDIT

Enter under this heading accounts usually paid annually or by monthly installments, such as dealer credit for appliances and equipment, fertilizer bills paid at the end of the year, etc. Amount to be entered in the payments made column should include both interest and principal paid.

TO WHOM OWED	1.		2.		3.		4.	
PURPOSE OF LOAN OR CREDIT								
	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT
ORIGINAL COST OR TOTAL AMOUNT OF LOAN								
AMOUNT PAID DOWN OR VALUE OF TRADE IN								
BALANCE REMAINING UNPAID								
PAYMENTS MADE—JANUARY								
FEBRUARY								
MARCH								
APRIL								
MAY								
JUNE								
JULY								
AUGUST								
SEPTEMBER								
OCTOBER								
NOVEMBER								
DECEMBER								
TOTAL AMOUNT PAID DURING YEAR								

TO WHOM OWED	5.		6.		7.		8.	
PURPOSE OF LOAN OR CREDIT								
	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT
ORIGINAL COST OR TOTAL AMOUNT OF LOAN								
AMOUNT PAID DOWN OR VALUE OF TRADE IN								
BALANCE REMAINING UNPAID								
PAYMENTS MADE—JANUARY								
FEBRUARY								
MARCH								
APRIL								
MAY								
JUNE								
JULY								
AUGUST								
SEPTEMBER								
OCTOBER								
NOVEMBER								
DECEMBER								
TOTAL AMOUNT PAID DURING YEAR								

NUARY

MONEY TAKEN IN

TE	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

ATE	ITEM	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BUILDINGS AND FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
		$	$	$	$	$	$	$	$	$	$
TALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TAL MONEY TAKEN IN FOR MONTH $

TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ____________

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS-PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 37)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $

TOTAL EXPENSES FOR MONTH $

MONEY TAKEN IN

DATE	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BUILDINGS AND FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL MONEY TAKEN IN FOR MONTH $ ____________

TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ____________

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANSPORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $

TOTAL EXPENSES FOR MONTH $

MARCH

MONEY TAKEN IN

DATE	ITEM AND QUANTITY	DAIRY PRODUCTS (1)	EGGS (2)	LIVESTOCK (3)	LIVESTOCK (4)	CROPS (5)	CROPS (6)	OTHER FARM INCOME (7)	NON FARM INCOME (8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BUILDINGS AND FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
		$	$	$	$	$	$	$	$	$	$
TALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TAL MONEY TAKEN IN FOR MONTH $ __________

TOTAL FAMILY LIVING EXPENSES FOR MONTH $ __________

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $

TOTAL EXPENSES FOR MONTH $

MONEY TAKEN IN

ATE	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
OTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR	MACHINERY REPAIR	FARM BUILDINGS AND FENCE REPAIR	INTEREST	RENT	FEED	SEED	FERTILIZER	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS	OTHER SUPPLIES
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

'AL MONEY TAKEN IN FOR MONTH $ ____________ TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ____________

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS-PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $ ______ TOTAL EXPENSES FOR MONTH $ ______

Y

MONEY TAKEN IN

I	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
ALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

TE	ITEM	HIRED LABOR	MACHINERY REPAIR	FARM BUILDINGS AND FENCE REPAIR	INTEREST	RENT	FEED	SEED	FERTILIZER	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS	OTHER SUPPLIES
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TAL MONEY TAKEN IN FOR MONTH $ ____________ TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ____________

19
MAY

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS-PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $ ....

TOTAL EXPENSES FOR MONTH $ ....

NE

MONEY TAKEN IN

ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	$	$	$	$	$	$	$	$	$	$
ALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)										

FARM OPERATING EXPENSES

E	ITEM	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BUILDINGS AND FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
		$	$	$	$	$	$	$	$	$	$
ALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

AL MONEY TAKEN IN FOR MONTH $ ______ TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ______

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANSPORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $ ....

TOTAL EXPENSES FOR MONTH $ ....

JULY

MONEY TAKEN IN

DATE	ITEM AND QUANTITY	DAIRY PRODUCTS (1)	EGGS (2)	LIVESTOCK (3)	LIVESTOCK (4)	CROPS (5)	CROPS (6)	OTHER FARM INCOME (7)	NON FARM INCOME (8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BUILDINGS AND FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL MONEY TAKEN IN FOR MONTH $ ____________ TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ____________

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $ ____________

TOTAL EXPENSES FOR MONTH $ ____________

MONEY TAKEN IN

	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR	MACHINERY REPAIR	FARM BUILDINGS AND FENCE REPAIR	INTEREST	RENT	FEED	SEED	FERTILIZER	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS	OTHER SUPPLIES
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL MONEY TAKEN IN FOR MONTH $ ______________ TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ______________

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $

TOTAL EXPENSES FOR MONTH $

MONEY TAKEN IN

DATE	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR	MACHINERY REPAIR	FARM BUILDINGS AND FENCE REPAIR	INTEREST	RENT	FEED	SEED	FERTILIZER	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS	OTHER SUPPLIES
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL MONEY TAKEN IN FOR MONTH $ .... TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ....

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

______ FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $ ______

TOTAL EXPENSES FOR MONTH $ ______

8
CTOBER

MONEY TAKEN IN

	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BUILDINGS AND FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL MONEY TAKEN IN FOR MONTH $ ____________ TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ____________

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANSPORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 37)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $

TOTAL EXPENSES FOR MONTH $

D
OVEMBER

MONEY TAKEN IN

ATE	ITEM AND QUANTITY	DAIRY PRODUCTS	EGGS	LIVESTOCK		CROPS		OTHER FARM INCOME	NON FARM INCOME		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
OTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR	MACHINERY REPAIR	FARM BUILDINGS AND FENCE REPAIR	INTEREST	RENT	FEED	SEED	FERTILIZER	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS	OTHER SUPPLIES
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL MONEY TAKEN IN FOR MONTH $ ______

TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ______

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $

TOTAL EXPENSES FOR MONTH $

DECEMBER

MONEY TAKEN IN

*	ITEM AND QUANTITY	DAIRY PRODUCTS (1)	EGGS (2)	LIVESTOCK (3)	LIVESTOCK (4)	CROPS (5)	CROPS (6)	OTHER FARM INCOME (7)	NON FARM INCOME (8)	(9)	(10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 36)											

FARM OPERATING EXPENSES

DATE	ITEM	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BUILDINGS AND FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
		$	$	$	$	$	$	$	$	$	$
OTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

OTAL MONEY TAKEN IN FOR MONTH $ ....

TOTAL FAMILY LIVING EXPENSES FOR MONTH $ ....

FAMILY LIVING EXPENSES

DATE	ITEM	HOUSEHOLD OPERATING (1)	FOOD INCL LUNCHES (2)	CLOTHING PERSONAL CARE (3)	HEALTH (4)	HOUSE REPAIR AND SANITATION (5)	SCHOOL (6)	CHURCH AND RECREATION (7)	PERSONAL INSURANCE (8)	TRANS PORTATION (9)	FURNITURE AND OTHER (10)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGE 32)											

FARM OPERATING EXPENSES

DATE	ITEM	LIVESTOCK EXPENSE (11)	MACHINERY HIRE (12)	FUEL AND OIL (13)	REAL ESTATE PERSONAL PROPERTY TAX (14)	WATER CHARGES (15)	PROPERTY INSURANCE (16)	AUTO AND TRUCK EXPENSE (17)	UTILITIES (18)	OTHER (19)	CURRENT OPERATING BILLS (20)
		$	$	$	$	$	$	$	$	$	$
TOTALS (ADD EACH COLUMN AND TRANSFER TOTALS TO PAGES 36 AND 37)											

TOTAL FARM OPERATING EXPENSES FOR MONTH $

TOTAL EXPENSES FOR MONTH $

CROP PRODUCTION AND LIVESTOCK RECORD

ACTUAL CROP PRODUCTION

CROP:			CROP:			CROP:			CROP:			CROP:		
LD	ACRES	PRODUCTION	FIELD NO	ACRES	PRODUCTION	FIELD NO	ACRES	PRODUCTION	FIELD NO	ACRES	PRODUCTION	FIELD NO	ACRES	PRODUCTION
TOTAL														
OUR SHARE														

ACTUAL LIVESTOCK AND PRODUCTS RECORD

MONTH	DAIRY		POULTRY		HOGS		BEEF CATTLE		SHEEP	
	AVERAGE NUMBER OF COWS*	TOTAL PRODUCTION**	AVERAGE NUMBER OF HENS	DOZENS OF EGGS PRODUCED	NUMBER OF LITTERS	NUMBER OF PIGS WEANED	NUMBER*** OF COWS	NUMBER OF CALVES PRODUCED	NUMBER*** OF EWES	NUMBER OF LAMBS PRODUCED
JANUARY										
FEBRUARY										
MARCH										
APRIL										
MAY										
JUNE										
JULY										
AUGUST										
SEPTEMBER										
OCTOBER										
NOVEMBER										
DECEMBER										
TOTAL										
	AVERAGE NUMBER COWS FOR YEAR (DIVIDE TOTAL COWS BY 12) PRODUCTION PER COW (DIVIDE TOTAL PRODUCTION BY AVERAGE NUMBER COWS)		AVERAGE NUMBER HENS FOR YEAR (DIVIDE TOTAL HENS BY 12) PRODUCTION PER HEN (DIVIDE TOTAL DOZ. EGGS BY AVERAGE NUMBER HENS)		AVERAGE NUMBER PIGS WEANED PER LITTER (DIVIDE TOTAL PIGS WEANED BY TOTAL LITTERS):		PERCENT CALF CROP (DIVIDE TOTAL NUMBER OF CALVES PRODUCED BY TOTAL NUMBER OF COWS)		PERCENT LAMB CROP (DIVIDE TOTAL NUMBER OF LAMBS PRODUCED BY TOTAL NUMBER OF EWES)	

* INCLUDE DRY COWS DURING NORMAL DRY PERIODS
** ENTER POUNDS OF MILK OR BUTTERFAT
*** ENTER NUMBER OF COWS OR EWES THAT SHOULD HAVE CALVED OR LAMBED

INCOME AND SOCIAL SECURITY TAXES PAID DURING THE YEAR

Use for keeping a record of the amount paid for income taxes and social security taxes for yourself and for hired labor Enter when payments are made

1 INCOME TAXES		SOCIAL SECURITY TAXES					
		2 FOR MYSELF		3 FOR HIRED LABOR			
DATE	AMOUNT	DATE	AMOUNT	DATE	NAME	SOCIAL SECURITY NO	AMOUNT**
TOTAL* FOR YEAR							

*TRANSFER TOTALS TO PAGE 6 TABLE K ACTUAL COLUMN

**TRANSFER AMOUNT EACH MONTH TO FARM OPERATING EXPENSES COLUMN 8

ANNUAL SUMMARY

MONEY TAKEN IN (FROM MONTHLY TOTALS)

MONTH	DAIRY PRODUCTS (1)	EGGS (2)	LIVESTOCK		CROPS		OTHER FARM INCOME (7)	NON FARM INCOME (8)	** (9)	** (10)
			(3)	(4)	(5)	(6)				
	$	$	$	$	$	$	$	$	$	$
JANUARY										
FEBRUARY										
MARCH										
APRIL										
MAY										
JUNE										
JULY										
AUGUST										
SEPTEMBER										
OCTOBER										
NOVEMBER										
DECEMBER										
TOTALS FOR YEAR*										

* Transfer totals for columns 1 thru 6 to Page 2, "Actual" columns. Transfer totals for columns 7 and 8 to Page 4, Table J, "Actual" columns.

** May be used to record other sources of income, such as recreational enterprises or totaling monthly income.

FARM OPERATING EXPENSES (FROM MONTHLY TOTALS)

MONTH	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BLDGS. & FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
	$	$	$	$	$	$	$	$	$	$
JANUARY										
FEBRUARY										
MARCH										
APRIL										
MAY										
JUNE										
JULY										
AUGUST										
SEPTEMBER										
OCTOBER										
NOVEMBER										
DECEMBER										
TOTALS FOR YEAR*										

* Transfer totals to Page 4, Table G, "Actual" column.

TOTAL MONEY TAKEN IN FOR YEAR $ ....

TOTAL FAMILY EXPENSES FOR YEAR $ ....

NOTES

ANNUAL SUMMARY

MONEY TAKEN IN (FROM MONTHLY TOTALS)

MONTH	DAIRY PRODUCTS (1)	EGGS (2)	LIVESTOCK (3)	LIVESTOCK (4)	CROPS (5)	CROPS (6)	OTHER FARM INCOME (7)	NON FARM INCOME (8)	** (9)	** (10)
	$	$	$	$	$	$	$	$	$	$
JANUARY										
FEBRUARY										
MARCH										
APRIL										
MAY										
JUNE										
JULY										
AUGUST										
SEPTEMBER										
OCTOBER										
NOVEMBER										
DECEMBER										
TOTALS FOR YEAR*										

* Transfer totals for columns 1 thru 6 to Page 2, "Actual" columns. Transfer totals for columns 7 and 8 to Page 4, Table J, "Actual" columns.

** May be used to record other sources of income, such as recreational enterprises or totaling monthly income.

FARM OPERATING EXPENSES (FROM MONTHLY TOTALS)

MONTH	HIRED LABOR (1)	MACHINERY REPAIR (2)	FARM BLDGS. & FENCE REPAIR (3)	INTEREST (4)	RENT (5)	FEED (6)	SEED (7)	FERTILIZER (8)	PESTICIDE SPRAY LIVESTOCK EXPENSE MATERIALS (9)	OTHER SUPPLIES (10)
	$	$	$	$	$	$	$	$	$	$
JANUARY										
FEBRUARY										
MARCH										
APRIL										
MAY										
JUNE										
JULY										
AUGUST										
SEPTEMBER										
OCTOBER										
NOVEMBER										
DECEMBER										
TOTALS FOR YEAR*										

*Transfer totals to Page 4, Table G, "Actual" column.

TOTAL MONEY TAKEN IN FOR YEAR $ .... **TOTAL FAMILY EXPENSES FOR YEAR $** ....

INFORMATION TABLES FOR HOME-PRODUCED FOODS

APPROXIMATE YIELDS FROM RAW PRODUCTS

VEGETABLES

Yield from 1 bushel—	*Canned or Frozen*
Beans (snap)	18 to 22 quarts
Beans (lima)	16 to 20 pints
ts and carrots	17 to 20 quarts
eens	7 to 8 quarts
Peas (in pod)	30 pints
Sweetpotatoes	18 to 22 quarts
Tomatoes	16 to 20 quarts

FRUITS

Yield from 1 bushel—	
Apples	20 to 25 quarts
Berries (not strawberries)	20 quarts
Cherries (not pitted)	18 to 20 quarts
Peaches and pears (halved)	16 to 20 quarts
Plums	30 quarts
Strawberries	20 to 25 pints

MEATS

2 to 2 pounds fresh meat	1 quart
3 to 4 pounds chicken	1 quart

PRODUCT

	Yield
1 bushel corn	50 pounds meal
1 bushel wheat	50–60 pounds whole-wheat flour
1 bushel wheat	40–45 pounds white flour
2.5 gallons 4-percent milk	1 pound butter
2 gallons 4-percent milk	2 pounds cheese
8 gallons cabbage	1 gallon sauerkraut

APPROXIMATE WEIGHTS OF CERTAIN PRODUCTS

1 Gallon	*Pounds*
Milk	8.6
Cream (20%)	8.43
Cream (40%)	8.26
Honey and sirups	11 to 12
Lard	8
One "stand" of lard	50

AVERAGE DRESSING YIELDS OF MEAT ANIMALS

		Examples:	
	Percent	*Live Weight (Pounds)*	*Yield (Pounds)*
Veal	55	200	110
Beef	55	800	440
Lamb	50	80	40
Mutton	45	140	63
Hogs	75	200	150
Chickens (young)	60	2–3	1–2
Chickens (heavy)	65	4–5	2½–3
Turkey	75	12	9

FROZEN MEATS

Suggested storage periods for wrapped foods held at 0° F. are:

Product	*Storage Period (Months)*
Sausage and ground meat	1– 3
Fresh pork and fish	3– 6
Lamb and veal	6– 9
Beef and poultry	6–12

RECOMMENDATIONS

1. Use boiling-water bath for fruits and tomatoes. Use pressure cooker for all other vegetables and meats.
2. Store most root vegetables such as carrots, beets, etc., instead of canning them.
3. Freeze foods as soon as possible after they are packaged. Keep packages cold in the refrigerator until they can be placed in the freezer.

STANDARD WEIGHTS PER BUSHEL FOR FARM PRODUCTS (*In pounds*)

Alfalfa seed	60	Cottonseed	32	Potatoes (Irish)	60
Apples	48–50	Cowpeas	60	Potatoes (sweet), green	55
Barley (common)	48	Flax	56	Rape	50
Barley (hull-less)	60	Grapes	50	Redtop	14
Beans (dry)	60	Greens	12	Rice (rough)	45
Beans (lima)	56	Kaffir corn	56	Rye	56
Beans (snap), green	32	Lespedeza (common)	25	Sorgo	50
Berries (not strawberries)	48	Millet	48	Soybeans	60
Beets	50	Oats	32	Squash, pumpkin	40
Bluegrass (Kentucky)	14	Onions	52	Strawberries (24-qt. crate)	36
Bromegrass	14	Orchard grass	14	Sudan	40
Broom-corn seed	44–50	Peaches	48	Timothy	45
Buckwheat	50	Peanuts (unshelled)	22–30	Tomatoes	50
Carrots	50	Pears	50	Turnips	55
Clover seed	60	Peas (dry)	60	Velvet beans (hulled)	60
Corn (dry ear)	70	Peas (garden)	30	Vetch	60
Corn (shelled)	56	Plums	56	Wheat	60
Corn (sweet)	50	Popcorn (on cob)	70		

FOOD PRODUCED ON THE FARM FOR HOME USE

Make entries on a weekly or monthly basis Record all food canned, frozen, stored, and used fresh.

DATE	GALLONS OF MILK	DOZENS OF EGGS	NUMBER	LIVE WEIGHT			CANNED OR FROZEN		DRY STORED			FRESH FOODS USED
			POULTRY	POUNDS			QUARTS		BUSHELS			
				HOGS	BEEF	OTHER MEATS	VEGETABLES	FRUIT	POTATOES	VEGETABLES	FRUIT	
TOTAL FOR* THE YEAR												
VALUE**	$	$	$	$	$	$	$	$	$	$	$	$

**TOTAL CASH VALUE OF FOOD ACTUALLY PRODUCED AND/OR PROCESSED FOR HOME USE $

SIZE OF GARDEN (ACRES)

*Transfer totals to Page 3, Table E, "Actual" columns.

**Use price list furnished by County Supervisor as a guide in figuring values

INSTRUCTIONS FOR COMPLETING AND ANALYZING THIS YEAR'S RECORDS

1. Total the "Capital Expenditures" on page 5.

2. Total the "Other Loans and Credit" on page 9.

3. Total the columns on pages 36 and 37.

4. Compare the total money taken in for the year with the total expenditures for the year. A comparison of the total of the items in Column 1 below with the total of the items in Column 2 below should give you a check as to whether the records for the year are reasonably accurate.

Cash on hand at beginning of year from the Five Year Inventory Record or the Financial Statement of the Farm and Home Plan.	Total Expenses (page 37). PLUS capital expenditures (page 5).
PLUS total money taken in (page 36).	PLUS loan repayments (page 9) (do not include interest, if any, already included in Total Expenses (page 37)).
PLUS money borrowed (page 9).	PLUS cash on hand at end of year.

5. Complete the columns on page 2 headed "Actual" in Tables B and C; and complete the column headed "Actual Accomplishments" in Table D.

6. Total the columns on page 41 to obtain the value of food produced on the farm for home use.

7. Complete the columns on page 3 headed "Actual" and "Actual Accomplishments" in Table E. Obtain the information needed for the "Actual" columns from page 41.

8. Complete the columns on page 4 headed "Actual" in Tables F, G, H, J, and K.

9. Complete the actual crop and livestock records on page 34.

10. Review the year's business by --
    a. Studying the complete records of income, expenses, debt payments, and changes in inventory.
    b. Comparing these figures with Farm and Home Plan figures for the year. Where there is much difference between planned and actual figures, determine what caused the difference.

A carefuly study of this Record Book should give the information listed under "Value of Farm Family Records," as well as answers to many other questions. This information can be used for planning improvements in the farm and home business and management next year.

BEGINNING NEXT YEAR'S RECORDS AND PLANS

1. Fill out the Financial Statement on page 1 of next year's Record Book. This statement should be based on the Inventory taken at the beginning of the year.

2. Record in pencil your plans for next year's operations in Tables B, C, E, F, and G on pages 2, 3, and 4.

3. Start making entries in the Record Book for next year in accordance with the Instructions on the inside front cover of the new Record Book.

Mr. **Whitten**. I understand you have not issued written directives but you have informed staff in meetings and in telephone conversations. I have been told, that you would have maybe 2 or 3 times more farmers qualified if you used last year's requirements instead of the one you imposed this year. I am sure the OMB will appreciate your cooperation, but you have cut out just about everything for rural areas. A few years ago I think your predecessor and the Secretary then in office felt the department should be abolished from within, not by Act of Congress.

I have here a story from the Washington Post as to the conditions in one of our states. I am going to put this in the record to show what the situation is.

[Article from the Washington Post follows:]

This article, reprinted from the May 30, 1985 Washington Post Style section, won for its writer, The Post's Paul Hendrickson, first place in the single story general reporting category in the 26th annual Penney-Missouri Newspaper Awards competition.

The Fields of Fear

In Iowa's Farm Land, the Hard Times Rouse Feelings of Anger & Acts of Despair

---

By Paul Hendrickson
Washington Post Staff Writer

AMES, Iowa—Beauty is a cruel mask when the earth rolls right up to the edge of the interstate, freshly turned. When the rosebud trees are bleeding into pinks and magentas. When the evening rain is soft as lanolin.

And yet . . . five students from Iowa State University killed themselves during the past academic year. Why? Nobody really knows.

It's almost as if acute stress were an infectious disease in Iowa, like pinkeye in cows. A blooded humming presence in the sweet-smelling air. People can just reach up now and touch it.

This past March, in a place called Strawberry Point (population 1,463), men with mud on their boots sat in St. Mary's Catholic Church and wrote names on small pieces of paper. Maybe it was the name of the person in the Federal Land Bank who killed their loan. Maybe it was the auctioneer who sold off the family possessions as if they were bingo cards. Maybe it was the smart-ass from John Deere who had said, sorry, this time he'd just have to have cash. How are you supposed to get your corn in when they won't give you credit?

One by one, these proud, humiliated men got up from their pews and walked to the altar and deposited their slips of paper into a coffee can wrapped in tinfoil. Then they set it on fire. What they were trying to do was burn away their bitterness and anger before something worse happened. Yes, it was symbolism, but it was also an expression of community grief. The priest who ran it said it was an effort to find a spiritual dimension to so much suffering and loss.

A month and a half ago, a man near the town of Osage told his wife he'd be back by supper. He had recently sold out, and the sale didn't go well. He and his wife were renters on the land, and the land had turned sour as gall. All five of his children were dead. (Four of them were killed in the same car crash years ago.) Maybe it was the lousy sale; maybe it was the lousy world. A priest said he just walked out into an open field and shot himself. He was in his sixties. There was no note.

A farmer up near Mason City was digging a coffin-sized hole behind his house a while back. His wife rushed up.

"Oh, my God," she said, putting her hands up to her mouth. "What are you doing?"

"It's not for me," he said and kept on digging. "It's for our banker."

They got him psychiatric help.

All over the state, it is happening, and has been happening, and few want to talk of it. Neighbors avert their eyes. But it isn't only suicide and murder, or the threat of it. Less savage gods are loose here, too: wife beating, alcoholism, child abuse. All of it is alarmingly up, say social workers and psychologists and ministers.

What is the explanation? A desperate economy is much of it, of course. The rest of it is eerily devoid of logic. But violence, self-directed or otherwise, isn't chained to reason.

Maybe we've been living too long off old myths. Maybe Meredith Willson and "The Music Man" died a long time ago.

STATISTICS WON'T TELL THIS SAD STORY, but here are several chilling ones:

- A farm goes down in America every six minutes.
- In Iowa, according to a poll in Farm Journal this past winter, 42 percent of all farmers are thought to be "sliding toward insolvency."
- One-third of all Iowa farmers are facing foreclosure. What this means, in the jargon of agricultural economists, is that their debt-to-asset ratio is 70 or higher: 70 cents or more on every dollar they're worth is owed to a pale figure in a slack suit behind a big desk in a bank.
- According to a sociologist at the University of Missouri, the suicide rate among midwestern farmers is 30 to 40 percent above the national nonfarm rate—and rising.

And yet, farmers have always had a way of defying odds. Many have found credit this year when all the betting went the other way. The spring crop has gotten in the ground, after all.

Says Paul Lasley, director of the Iowa Farm and Rural Life Poll at Iowa State: "We know suicide is happening. All the signals I get tell me it's happening. There's a lot of despair. I don't know—mark it from the last 18 months. But how do you count? Let me give you an example of the problem: Occupation is listed on Iowa death certificates, but they don't put them in the computer that keeps track of vital statistics. You'd have to go through by hand and try to figure out which ones were farmers."

The first Iowa State suicide occurred last fall. He was a good kid from good German stock. He shot himself on his parents' farm in a bucolic little spot at the top of the state named Buffalo Center. He was in love with things coming up out of the ground. He left his dorm one night, rented a room in a motel, drove home several days later. The neighbors spotted his car by the side of the road.

"He was just lying out there in the corn," says his ag-ed adviser, pulling lint off his sock, unable to look up.

But here is the mystery: His parents' farm wasn't going under. It is doing fine, in fact. The flash point was elsewhere.

Last year, three teen-agers in Storm Lake committed suicide. One was the basketball coach's son. They say he just walked past his parents into his bedroom and shot himself. A psychiatrist was brought in from the Menninger Foundation in Topeka, Kan. He talked to a lot of people and ran some tests and told the town its problems were pretty normal. What happened might have been just a statistical quirk.

In Harlan (population 5,357), on the western edge of the state, three farmers killed themselves in 18 months. The American Psychological Association sent a writer out earlier this year and residents hinted darkly that the actual number was higher than that.

These are recent, random headlines from the Suicide File at The Des Moines Register, the state's largest daily:

"Man Slays Woman, Then Himself"

"Sioux City Boy, 10, Dies of Hanging"

"Clive Man Found Dead in Home of Gunshot Wound"

"Officers Say Farmer Left Notes Planning Suicide"

"Jobless Clinton Plumber Shoots, Kills Wife, Then Self"

"Farmer Slays Ex-Fiancee, Then Turns Shotgun on Self"

"Despondent Woman Commits Fiery Suicide"

"Minister Who Drowned Despaired Over Losing Job"

"We had to start a separate file for the first quarter of the year," says the paper's librarian, matter-of-factly. She kindly does a computer run on suicides in the last nine months, and the list is as long as her leg. The file from 10 years ago is scant by comparison, but the comparison isn't really fair. For one thing, until recently medical examiners in Iowa have been reluctant to put the word "suicide" on death certificates. They're still reluctant. The word cancels life insurance policies. But it is more than that. People want to respect their neighbors. The word was and is such a taboo.

So a man is found hanging one morning from a rope in his machine shed. So somebody puts a .410 shotgun in his mouth under a beech tree one evening. So somebody is found crushed beneath his International Harvester tractor. Well, you put it down as "accidental." Either way, somebody didn't have to watch the sheriff come out and nail signs on his land. Everybody can tell these stories now.

In the town of Spencer, up near the Minnesota border, it is not uncommon for 75 families a week to walk into the Northwest Iowa Mental Health Clinic. One of the common thoughts that come out is suicide. Four separate crisis intervention support groups are currently operating in Spencer. Breaking through the resistance is the hardest part. "We're past the point of positive pretending," says Joan Blundell, a social worker at the clinic.

Life in rural America was never easy. If it wasn't the ruinous weather, it was the harsh loneliness. And still, the outside world wants to romanticize rural life—or mock it.

To the naked eye, much of Iowa is doing just fine. Many farms are fat and healthy. So are some city dwellers. The temptation is to say the problem doesn't exist. It's the hard-to-see bottom tier that's hurting. The gap between rich and poor widens in Iowa, as it does everywhere else in America. The midwestern state that helped vote in Ronald Reagan in the last two elections now gives him, in a recent poll, a 24 percent approval rating. In February, the president had a 42 percent approval rating in Iowa. But then, in March, he vetoed farm emergency credit relief legislation.

YOU LAND AT DES MOINES AND COWS ARE grazing behind a fence at the end of the runway. You drive out into the countryside and the quiet crashes all around you. It is the contrast between what pleases the eye and what burdens the soul, but you don't have to live in Iowa to feel that. People have long suffered at the hands of their place's beauty, whether in Northern Ireland or South Africa or Appalachia.

There are no easy answers to any of this. The five Iowa State suicides this past year, none of which occurred on campus, are thought to be the highest number of self-inflicted deaths of any college in the country. That report went out on National Public Radio in April. The university would like to think it is an isolated phenomenon, freakish as lightning in a rainless summer sky. And, in fact, maybe it is.

But several weeks ago, the Office of Student Life at ISU released the final results of a March "Student Stress" poll. More than half of the 212 students polled—54 percent—said their anxiety was indeed related to the state's farm crisis. One in every four polled said they felt that "life was not worth living." Extrapolated to the total campus enrollment of 26,000, that would mean more than 6,000 students are walking around with suicidal feelings. That number blew the lid off the poll.

Maybe the questions were phrased wrong. Maybe you'd get that response on any campus in the seemingly placid '80s.

An outsider dare not make something more than it is. The five ISU students (two from the same dorm) conform to no particular profile. One was in preveterinary. One was a new transfer into entymology. Two had no farm background at all. Overall, the links in these five student deaths to the state's rural stress seem tenuous. And yet one would be a fool not to think something is terribly awry in the middle of the country.

"It would be a mistake to think that ISU is an island of psychological depression," University President Robert Parks told The Des Moines Register. The Register broke the suicide story. "This may be part of a sad nationwide condition."

The university is in the town of Ames, in Story County, in the richest agricultural belt in one of the richest agricultural states. The land is so black it almost hurts your eyes. You stand on the steps of the massive student union and watch kids fishing in Laverne Lake, right on campus. The bells in the carillon toll every 15 minutes. Lovers drift head to head. It feels like a 1940s movie starring William Holden as Biff Baker, with June Allyson on his handlebars. In the library, students sit near a mural engraved with words from Daniel Webster: "When Tillage Begins, Other Arts Follow."

"I wouldn't argue the right to cover the story, no, no," says Dave Lendt, the university's public information director, a nice man who of course wants to put the lid on. "We're all First Amendment freaks around here. I do know that these are not flaky people. I do know that these are people who have values, who do not come here without anchors, without family ties. These are people who do not believe they can take up a space in the world without giving something back. What you've got here are center-of-the-road, cornfed, land-grant type of students."

Lisa Birnbach, author of "The Official Preppy Handbook," came to Ames a while back and called it Silo Tech and Mule U. Har-har. In Agronomy 600, there are lectures entitled "Water Relationships in Alfalfa" and "Effect of Residues on Maize Growth." The University of Iowa is two hours away, in Iowa City, and over there they like to style themselves as the Left Bank of the Mississippi. Iowa City is where the artists are, Ames is where the hayseeds are—never mind that Iowa State has a huge engineering college, that it did some of the earliest atomic energy research in the nation, that its National Public Radio affiliate plays Liszt and Mozart. Things are never quite what they seem.

In ISU faculty mailboxes these days are memos about detecting "warning signs."

HIS NAME IS PETE KAPUSTKA, AND HIS voice is high and reedy, his body trim and muscular. He wears cowboy boots and walks with one hand in his back pocket.

He's thought about suicide, yes, driving his car into a bridge, but he's past that. He's only 20 but now he's head of the family. His father, at 46, is on his back in an Omaha hospital: bone cancer. He may never farm again. In fact, there may be nothing left to farm: The family is threatened with foreclosure—not just to the bank, that's the half of it. But to relatives who hold the notes.

"I found out last night my dad's family is serving us with papers of forfeiture," he says. "I sat up half the night trying to figure out what to do."

He came home from Iowa State on April 1 to get the spring crops in. College has to wait. He brought home with him his favorite poster and put it on a new wall: "They that sow in tears shall reap in joy."

"Now my dad, without ever telling me to my face, has entrusted me with putting this year's crops in the ground," he says, and there is a sonorous, almost dreamy, quality about the sentence. "From his bed in Omaha, my dad figured out how much seed corn we need. He's been farming down in Omaha for a couple weeks now."

He went to see his dad in the hospital. He had just come out of surgery. There he was, full of tubes and dangling things, with nurses and funny-smelling stuff all around, and all he could fix on was his calluses. He kept saying, "Pete, Pete, come over here and look at my calluses. They're peeling."

The son who has become the man is telling you this in a huge equipment shed on a suddenly glowering afternoon in Barnum, which is a wide spot in the road west of Fort Dodge. His eldest sister is in the house making supper; she has become the mom, because the real mom spends a couple of days every week in Omaha. The wind is racking fiercely at an aluminum roof. Pete's little brother, Tony, who is 10, is skimming stones on a dirt floor. Tony is chubby and in a red satin school jacket. The difference between 10 and 20, between the big brother and little brother, seems as vast as the tilled fields spreading beyond the house.

"I've been to Chicago once, for about 20 hours," Pete says, laughing at himself.

He slaps at the fender of a mud-caked tractor. "This is the staple of the American family farm, a 4020 John Deere."

"I can drive 'er," Tony calls over.

Pete walks around a four-wheel drive with an enclosed cab.

"This is our 8640. We bought it when things were good. It cost $80,000. You couldn't sell it now for $20,000."

"Nah, we don't use 'er much," says Tony.

Pete squints over at his little brother. "I'm about numb to all this stuff. I keep a journal. It's hard to remember when things were normal. But I've always heard, if you think you're crazy, you're probably not."

In the late '50s, his dad came out of the Army and had no choices but to take over the family farm. His own father, Pete's grandpa, had walked out into a winter field just a little while before and split his head open on a patch of ice. He just bled out. By the time they got him into the house, he was almost gone. So the son, just sprung from the service, had all his options foreclosed.

"And in a way, I feel it's kind of happening all over again."

Nights are the roughest. You go in and try to sleep. Often it doesn't come. You're up anyway as soon as the light is pale.

One bad night a couple of months ago, Pete Kapustka wrote a letter to the president of the United States. He wrote it in longhand on Alpha Gamma Rho stationery. Alpha Gamma Rho is the big ag house at Iowa State. The stationery was a kind of classy yellow parchment; he figured that might catch the president's eye.

"I said, 'Sir, we're just a family farm. My dad's dying of cancer, we're losing our land, and you not only rejected the farm emergency bill, but you made a spectacle of it. Please do something, sir, do anything.' "

He never heard back.

IN NORA SPRINGS, MARY BETH JANSSEN AND her husband Gary run farm survival meetings. They've set up a computer in their living room. They meet with fellow farmers in local churches. The first thing they do is pray. There is no particular agenda—people just stand up and talk, get it out. Sometimes Gary accompanies bankrupt friends to the bank.

Mary Beth is telling you this on the phone and she sounds as if she's talking from Ethiopia. "We've been through bankruptcy. We're still farming and sometimes I ask myself, 'What the hell for?' Gary and I lost a farm that had been in the family 80 years. 'We were failures.' You hear a lot of that. When somebody goes down, you hear, 'Oh, he deserved it.' I think people are so afraid that it's going to happen to them next. But Gary and I are through rolling over and giving in. For years we sat on the dumb side of the desk when it came to bankers. What Gary and I are trying to get people to realize is that it's not their fault. It's been coming on for years. That's what happened in the '30s."

Gary takes the line. "I have no degree in anything. Yeah, I've probably saved some lives. To say who, I couldn't give you a name. I don't know who's in the back row. The people in the front row, you don't worry about."

CUTS IN AGRICULTURAL SPENDING

Mr. WHITTEN. You have cut out all funds for rural development programs. The Administration is not doing that in the major cities. Last year you will recall, the Office of Budget and Management called on the Congress to reduce domestic expenditures by $28 billion, but in the same document proposed to increase the carryover for military spending, which is different from defense, by $36 million. This year with the debt increasing by a trillion dollars in five years—which is as much as we accumulated in 200 years—the budget asked again that we increase the carryover of unspent funds for military and foreign aid from $244 million to $299 million.

I have noticed all through the years that the one fellow who is sincere is the farmer. But you have done enough here to where you are destroying American agriculture. In the process, you are destroying our best dollar earner in the world trade, and you are destroying the biggest customer for business and labor. You do not seem to have any realization of the effect.

In a few minutes I must appear before the Rules Committee, and I hate to have to leave. But I have just asked, in connection with going there, to get me some figures on the budget. While they require you to cut agriculture in the 1987 budget, the Executive Office of the President has gone from $89 billion to $109 billion. The Office of Budget and Management has substantially increased its budget from $33 million to $39 million. They can see their needs and so can other activities. But we find where agriculture is concerned you must cut. You are cutting out the base, as I see it.

Now, you understand I feel very strongly about this. I personally appreciate you and your intentions. But this is not limited to you.

In 1982, I said to the President of the United States: "Mr. President, American farmers are financing your foreign policy and they are broke. We gave 11 percent of our total production to overseas competitors. We held our dairy products off the market to get along with New Zealand. We held up other acreages to get along with France."

Six weeks ago, I had a chance to point this out again to the President. So I am asking you to wake up to this fact and use your authority to give the farmer a chance to work out of his situation, instead of requiring so much of him that he doesn't file his application.

I want to know how many applications you have by states and by counties, as compared with last year, and how many approvals you have had by states and counties, as compared with the same date.

[CLERK'S NOTE.—A summary of the information by State follows. The information for each county and each state appears on pages 1511 through 1570.]

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 11:38 TUESDAY, MAY 13, 1986 74
OPERATING LOANS CLOSED TO DATE BY STATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALABAMA	897	643	199	506	350	135
ALASKA	0	0	2	0	.	0
ARIZONA	93	82	25	55	32	19
ARKANSAS	1244	1187	202	1195	1232	186
CALIFORNIA	515	410	120	471	483	127
COLORADO	444	398	86	452	429	50
CONNECTICUT	45	38	32	26	22	13
DELAWARE	55	46	3	27	16	2
FLORIDA	253	158	99	137	85	67
GEORGIA	1681	1094	365	976	777	133
HAWAII	14	15	10	20	36	7
IDAHO	476	406	131	428	267	129
ILLINOIS	1751	1547	256	1451	1332	276
INDIANA	732	682	72	480	410	77
IOWA	3528	3534	334	3054	3524	634
KANSAS	1062	1164	244	876	1096	325
KENTUCKY	1346	1696	296	902	1092	194
LOUISIANA	2315	1942	399	1862	1777	198
MAINE	374	278	73	146	104	73
MARYLAND	112	75	43	64	37	26
MASSACHUSETTS	39	46	20	30	21	11
MICHIGAN	681	650	141	416	442	110
MINNESOTA	2567	2694	254	2114	2489	427
MISSISSIPPI	1468	1354	217	533	634	146
MISSOURI	2005	2059	252	1074	1034	221
MONTANA	661	659	165	552	625	142
NEBRASKA	1805	1800	177	1747	2152	424
NEVADA	52	52	3	33	26	2
NEW HAMPSHIRE	34	26	13	6	7	5
NEW JERSEY	57	47	14	37	31	1
NEW MEXICO	414	239	104	254	220	27
NEW YORK	494	391	219	327	260	204
NORTH CAROLINA	1649	1364	314	643	579	74
NORTH DAKOTA	2283	2196	445	1666	1732	303
OHIO	778	903	110	657	668	75
OKLAHOMA	1190	1197	651	838	743	495
OREGON	287	220	84	275	208	93
PACIFIC TERRIT	0	.	0	3	.	1
PENNSYLVANIA	382	210	166	294	198	148
PUERTO RICO	190	296	83	123	181	80
RHODE ISLAND	10	4	2	2	2	0
SOUTH CAROLINA	637	535	101	417	375	62
SOUTH DAKOTA	1307	1281	276	836	1038	235
TENNESSEE	987	991	140	635	710	108
TEXAS	3140	2234	1390	3207	2738	1101
UTAH	214	171	72	130	137	62

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 11:38 TUESDAY, MAY 13, 1986 75
OPERATING LOANS CLOSED TO DATE BY STATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
VERMONT	115	87	88	96	70	85
VIRGIN ISLANDS	2	0	0	2	[illegible]	0
VIRGINIA	449	376	104	228	168	48
WASHINGTON	397	279	122	393	253	111
WEST VIRGINIA	189	208	82	102	118	67
WISCONSIN	1874	3252	494	1486	2430	481
WYOMING	239	192	87	151	133	33
	=====	=====	=====	=====	=====	====
	43533	41408	9381	32435	33523	8053

Mr. Whitten. I come from basic commodity country as well as dairy country. It looks to me like, if we don't do something to help the two and a half percent of our people who produce our food, the whole thing is going to cave in. I tell you this because you are interested.

As you know, I am chairman of the full Appropriations committee and I also deal with many other things. This is not happening to other aspects of American life. But agriculture is the key to it all.

Supply that information. We would like to have it as expeditiously as possible.

Again, your requirements for this year would put them off the farm this year. I am told some were overqualified with respect to last year's requirements. That came from your people.

Pardon me for the feelings I have. But I think we have to fight this all the way.

AGRICULTURAL CREDIT INSURANCE FUND BUDGET REQUEST

For each of the loan programs under the Agricultural Credit Insurance Fund, would you please provide for the record the amount you requested in your request to the Under Secretary, the amount the Under Secretary requested of the Secretary, the amount the Secretary requested from the Office of Management and Budget, and the allowance that was received from OMB?

[The information follows:]

FISCAL YEAR 1987 BUDGET ESTIMATES

[In millions of dollars]

	Agency request	USDA request	Fiscal year 1987 budget
Agricultural Credit Insurance Fund:			
Insured Farm Ownership Loans	0	0	0
Guaranteed Farm Ownership Loans	$400	$400	0
Insured Farm Operating Loans	1,200	3,000	1,500
Guaranteed Farm Operating Loans	2,400	2,400	2,500
Emergency Disaster Loans	0	0	0
Total ACIF	4,000	5,800	4,000

Mr. Whitten. The fiscal year 1987 request for guaranteed operating loans is $2.5 billion, yet you have obligated only $1.1 billion in fiscal year 1985. Why do you feel that the demand for operating loans will double in 2 years?

Mr. Clark. As of March 31, 1986, 3,754 guaranteed operating loans totaling $400 million have been obligated. At the same time last year, 1,236 guaranteed operating loans totaling $148 million were obligated. Demand for guaranteed operating loans from commercial lenders has increased 170 percent during this period. With increased emphasis on moving away from an insured program and with the growth in guaranteed operating loans in fiscal year 1986, we feel very confident that the demand for guaranteed operating loans will require the $2.5 billion in fiscal year 1987.

STATUS OF OBLIGATIONS

Mr. **Whitten**. What is the present level of obligations for the insured operating loans program? For the guaranteed operating loans program?

Mr. **Clark**. As of March 31, 1986, $1.4 billion in insured operating loans has been obligated. This equals 63.6 percent of the $2.2 billion available for this purpose. Regarding the guaranteed operating loan program, the level of obligations as of the same date was $400.2 million, or 23.3 percent of the $1.7 billion available.

Mr. **Whitten**. How do these levels compare with 1985 obligations for the same period?

Mr. **Clark**. Insured operating loan obligations as of March 31, 1985, were $1.7 billion which is $300 million more than for the same period this year. However, guaranteed operating loan obligations increased this fiscal year by $252 million over the $148 million obligated as of March 31, 1985.

INTEREST RATES

Mr. **Whitten**. Are you monitoring the interest rates on guaranteed operating loans?

Mr. **Clark**. No, we are not. Let me explain why. Many guaranteed loans are at variable interest rates which may be changed in accordance with the lenders' normal practices. This would result in creating a monitoring system which would have to be updated daily to be meaningful.

Mr. **Whitten**. On the average, what is the difference between the interest rate for insured operating loans and the loans Farmers Home is guaranteeing?

Mr. **Clark**. The average interest rate currently charged farmer borrowers by commercial lenders for 1986 operating-type loans is 12.25 percent. The average interest rate charged by the Production Credit Association (PCA) is 12 percent. Up to March 31, 1986, the Agency was charging 10.25 percent on regular insured operating loans and 7.25 percent on insured limited resource operating loans. Effective April 1, 1986, the rates were lowered to 9.5 percent on regular insured operating loans and 6.5 percent on insured limited resource operating loans. The average difference, presently, for regular insured operating loans is 2.75 percent for commercial and 2.5 percent for PCA. Those borrowers who are receiving limited resource rates would have an average difference of 5.7 percent and 5.5 percent.

Mr. **Whitten**. Is there any evidence that private lenders are willing to reduce the interest rates on operating loans because of the availability of Farmers Home guarantees?

Mr. **Clark**. The Agency allows the lender to charge the borrower a rate not to exceed 1 percent above the rate the lender charges its average farm customers. This allows the lender a slightly higher profit margin for processing guaranteed loans. Due to this option, we have no evidence that private lenders are reducing interest rates to farm customers because of the availability of Farmers Home guarantees. However, the lender most likely would not continue with the borrower's account without the FmHA guarantee.

INTEREST BUY-DOWN PROGRAM

Mr. WHITTEN. The 1985 Farm Bill provided authority for a 3-year $490 million interest buy-down program. Have you implemented this program?

Mr. CLARK. Yes, the program went into effect on February 25, 1986, when the regulations were published in the Federal Register.

Mr. WHITTEN. Do you have a feel for the demand for the program?

Mr. CLARK. There appears to be some reluctance by lenders regarding the interest buy-down program. This seems to be based on the notion that the lender has already reduced interest rates, in some cases charged-off a portion of the loan notes, and they do not feel justified in providing additional relief. However, interest is starting to build in the program in a number of States.

FISCAL YEAR 1985 AND 1986 OPERATING CREDIT

Mr. WHITTEN. Will you explain the reasons the Administration chose to base the fiscal year 1986 operating loan program on levels authorized in the Farm Bill as opposed to those provided in the fiscal year 1986 Continuing Resolution?

Mr. CLARK. In view of the discrepancy between the two Acts, a legal opinion was requested from our General Counsel. In the exhaustive opinion emitted, the General Counsel concludes that the provisions of the Food Security Act of 1985 govern. Thus, the $1.74 billion limitation stated in the Act and I quote the opinion. . . . "is controlling and must therefore be followed." A copy of the opinion is submitted for the record.

[The information follows:]

United States
Department of
Agriculture

Office of
General
Counsel

Washington,
D.C.
20250

22 JAN 1986

TO: Stephen B. Dewhurst, Director
Office of the Budget and Program Analysis

FROM: James Michael Kelly
Associate General Counsel

SUBJECT: FY 1986 Loan Limitation for FmHA Insured Operating Loans

You have asked whether the loan limitation for the Farmers Home Administration (FmHA) Insured Operating Loans for fiscal year 1986 is the limitation of $2.7 billion contained in the Agriculture, Rural Development, and Related Agencies Appropriation Act, 1986, or the limitation of $1.74 billion contained in section 1317 of the Food Security Act of 1985. Based upon the analysis and for the reasons stated below, we believe the $1.74 billion limitation stated in the Food Security Act is controlling and must therefore be followed.

The Agriculture, Rural Development, and Related Agencies Appropriation Act, 1986 (hereinafter referred to as the "1986 Appropriation Act"), was enacted on December 19, 1985, by section 101 of the Continuing Appropriation, 1986 (Pub. L. No. 99-190). The Food Security Act of 1985 (hereinafter referred to as the "Food Security Act"), (Pub. L. No. 99-198) was enacted on December 23, 1985. As explained below, the Congress in both enactments purported to express limitations on the amount of loans which may be made during fiscal year 1986 from the Agricultural Credit Insurance Fund for FmHA insured operating loans.

Section 125 of the Agricultural Credit Act of 1978, Pub. L. No. 95-334, enacted August 4, 1978, amended the Consolidated Farm and Rural Development Act (hereinafter referred to as the "Con Act"), by adding a new section 346 (7 U.S.C. 1994), to provide:

> Effective October 1, 1979, the aggregate principal amount of loans under the programs authorized under each subchapter of this chapter during each three-year period thereafter shall not exceed such amounts as may be authorized by law after August 4, 1978. There shall be two

> amounts so established for each of such programs and for any maximum levels provided in appropriation Acts for the programs authorized under this chapter, one against which direct and insured loans shall be charged and the other against which guaranteed loans shall be charged, with or without authority for the Secretary to transfer amounts between such categories within a given program for more effective administration.

The avowed purpose of the section was to establish, beginning fiscal year 1980, loan limits for each of the loan programs under the Con Act. The Conference Report on the Agricultural Credit Act of 1978 provided that the "aggregate principal amount of loans made, insured, or guaranteed under any program during any [3] year period may not exceed the amount authorized by law for that period. Two amounts will be established for each program, one against which direct and insured loans will be charged, and one against which guaranteed loans will be charged."

Emphasis supplied.

House Report No. 95-1344, 95th Cong. 1st Sess. pp. 29-30.

Section 4 of Pub. L. No. 96-438, enacted October 13, 1980, amended the Con Act by redesignating the above section as subsection (a) of section 346 (7 U.S.C. 1994(a)), and by adding a new subsection (b) to section 346 (7 U.S.C. 1994(b)), to read in part:

> (b)(1) Loans for each of the fiscal years 1980, 1981, and 1982 are authorized to be insured, or made to be sold and insured, or guaranteed under the Agricultural Credit Insurance Fund as follows:
>
> (A) real estate loans, ***
>
> (B) operating loans, $1,200,000,000 of which $1,150,000,000 may be for insured loans and $50,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories;
>
> * * * * *

Emphasis supplied.

In discussing the provision, Senate Report No. 96-168, 96th Cong. 2nd Sess. p. 4 provided:

> Section 346 of the act provides that, effective October 1, 1979, the aggregate amounts of loans made through the loan programs under the act during each 3-year period thereafter may not exceed lending levels established by law. This provision creates the need for legislation every 3 years setting lending levels for the loan programs under the act.
>
> Section 346 also provides that two amounts must be established for each loan program under the act -- one against which direct and insured loans will be charged, and one against which guaranteed loans will be charged -- with or without authority for the Secretary of Agriculture to transfer amounts between categories within a given program for more effective administration.
>
> Under the requirements of section 346, legislation to establish authorized lending levels for the programs under the act for the initial 3-year period -- during fiscal years 1980, 1981, and 1982 -- should be enacted before the beginning of fiscal year 1980.
>
> S. 985 meets this need by amending section 346 of the act to add a new subsection establishing lending levels for the loan programs under the act for each of fiscal years 1980, 1981, and 1982.

Under the heading "Agricultural Credit Insurance Fund" in the Farmers Home Administration appropriation contained in the 1986 Appropriation Act, enacted December 19, 1985, the following is provided:

> Loans may be insured, or made to be sold and insured, under this fund in accordance with and subject to the provisions of 7 U.S.C. 1928-1929, or guaranteed, as follows: real estate loans, $682,000,000, including not less than $650,000,000 for farm ownership loans of which $250,000,000 shall be guaranteed loans; and not less that $28,000,000 for water development use, and conservation loans of which $6,000,000 shall be guaranteed loans; operating loans, $4,400,000,000 of which $1,700,000,000 shall be guaranteed loans; and emergency insured and guaranteed loans in amounts necessary to meet the needs resulting from natural disasters.
>
> * * * * *

Emphasis supplied.

Section 1317 of the Food Security Act, enacted December 23, 1985, amended subsection (b) of the Con Act to read in part:

(b)(1)(A) For each of the fiscal years ending September 30, 1986, through September 30, 1988, real estate and operating loans may be insured, made to be sold and insured, or guaranteed in accordance with subtitles A and B, respectively, from the Agricultural Credit Insurance Fund established under section 309 in an amount equal to $4,000,000,000, of which not less than $520,000,000 shall be for farm ownership loans under subtitle A.

(B) Subject to subparagraph (C), such amount shall be apportioned as follows:

(i) For the fiscal year ending September 30, 1986 --

(I) $2,000,000,000 for insured loans, of which not less than $260,000,000 shall be for farm ownership loans; and

(II) $2,000,000,000 for guaranteed loans, of which not less than $260,000,000 shall be for guarantees of farm ownership loans.

* * * * *

Hence, the 1986 Appropriation Act enacted December 19, 1985, has a loan limit for insured operating loans of $2,700,000,000, while the Food Security Act enacted December 23, 1985, has a loan limit for insured operating loans of $1,740,000,000.

At first blush, the issue appears to be whether an authorization for an appropriation which passes after an appropriation act has been passed, has the effect of reducing the appropriation to the level of the authorization. If that were the case, we would be constrained to say that the appropriation would govern regardless of when the authorization passed. This would be so since an authorization for an appropriation does not appropriate funds, but rather sets a limit on the amount of funds the Congress may appropriate. An appropriation act may appropriate more or less than the amount contained in the authorization act. Cf. 36 Comp. Gen. 240 (1956).

However, we note that the 1986 Appropriation Act, similar to appropriation acts in the past, does not appropriate funds for Insured Operating Loans, but rather sets a loan level for such loans out of a revolving fund, the Agricultural Credit Insurance Fund.

Prior to its being amended section 346(b) of the Con Act, 7 U.S.C. 1994(b) provided that loans for each of fiscal years

1980, 1981, and 1982 were authorized to be insured, or made to be sold and insured, or guaranteed. The appropriation acts for fiscal years 1980-1982, as well as the 1986 Appropriation Act, provided that "Loans may be insured, or made to be sold and insured..." The authorization act, thus, authorized a loan limit, as opposed to authorizing an appropriation, said loan limit to be set out in an appropriation act.

Section 1317 of the Food Security Act amended section 346(b) to provide that "operating loans may be insured". It is important to note that Congress in this amendment departed from its previous lexicon in the authorization act of "authorizing" loans to be insured. The effect of this amendment may be viewed as then being both the authorizing act and the appropriating act; thus, no longer requiring a provision in an appropriation act to carry out the authorization. Thus, unlike the normal authorization/appropriation acts found in the appropriation process, the statutes in question may be viewed more appropriately as expressions of statutory authorities. Analyzed in this light, the traditional rules of statutory construction are brought into play. In this regard, while there is a presumption against the repeal of prior laws by implication, Morton v. Mancari, 417 U.S. 535, 549 (1974), the presumption is overcome by a showing that "the two acts are irreconcilable, clearly repugnant as to vital matters to which they relate, and so inconsistent that the two cannot have concurrent operation." Squillacote v. United States, 562 F.Supp. 338, 343 (E.D. Wisc. 1983), modified, 739 F. 2d 1208 (7th Cir. 1984), rehearing denied, 747 F.2d 432 (1984). It is apparent here that the two statutes are clearly repugnant. On the basis of such statutory construction, the provisions of the Food Security Act govern.

Had the Congress not amended section 346(b), or had it not passed any authorization limit, the limit provided in the 1986 Appropriation Act, while subject to a point of order during consideration of the appropriation since there was no authorization, would have governed.

We note that if a limit on operating loans in the 1987 Appropriation Act exceeds the limit provided in section 346(b), it would govern, if a point of order is not raised and sustained, under the principle that the enactment which is later in time prevails.

You also raise the question as to the appropriate loan limitation for farm ownership loans. The 1986 Appropriation Act establishes a floor of $650,000,000 for farm ownership loans, and mandates $250,000,000 for guaranteed farm ownership loans. The 1986 Appropriation Act thereby in effect establishes a floor of $400,000,000 for insured farm ownership loans.

The Food Security Act establishes floors of $260,000,000 for guaranteed farm ownership loans and $260,000,000 for insured farm ownership loans.

As discussed above, in the absence of a clear expression of Congress to repeal a law previously enacted, we are bound to harmonize statutes before concluding that a later enacted statute repeals by implication the earlier enacted one.

With the exception of the 1986 Appropriation Act provision requiring $250,000,000 for guaranteed farm ownership loans, all the provisions in question establish floors, not loan ceilings. With respect to insured farm ownership loans, giving effect to the 1986 Appropriation Act floor of $400,000,000 does not create any disharmony with the Farm Security Act, because the $400,000,000 figure is not less than the floor of $260,000,000 established for such loans in the Farm Security Act. With respect to guaranteed farm ownership loans, there is an irreconcilable conflict because giving effect to the 1986 Appropriation Act mandate of $250,000,000 would result in the amount of loans being below the floor of $260,000,000 established in the Farm Security Act. Since the Farm Security Act is later enacted, the $260,000,000 level must prevail.

By a parity of reasoning, the same analysis would apply to other limitations, or floors, regarding the amount of loans which may be made from revolving fund accounts during fiscal year 1986, where differing amounts have been expressed in the two enactments in question.

cc: Frank W. Naylor, Jr.
Under Secretary for Small Community
and Rural Development

Vance Clark
Administrator
Farmers Home Administration

Mr. WHITTEN. To how many borrowers did you provide operating loans in fiscal year 1985?

Mr. CLARK. In fiscal year 1985, FmHA made 76,505 direct operating loans and 9,693 guaranteed operating loans for a total of 86,198 loans.

Mr. WHITTEN. To how many borrowers do you estimate you will provide operating loans in fiscal year 1986?

Mr. CLARK. As of April 9, 1986, the average size direct operating loan is $45,100; the average size guaranteed operating loan is $103,100. Based upon current funding levels, FmHA will be able to make 48,850 direct operating loans and 16,595 guaranteed operating loans for a total of 65,445 loans.

Mr. WHITTEN. How many borrowers would you estimate could have received operating loans under the loan level provided in the fiscal year 1986 Continuing Resolution?

Mr. CLARK. Based upon the average loan size for fiscal year 1986 to date, 76,356 total loans--59,867 direct and 16,489 guaranteed—could have been made. These numbers do not reflect reductions in the funding levels which would have resulted from Gramm-Rudman-Hollings.

Mr. WHITTEN. Of those borrowers receiving guaranteed loans in fiscal year 1985, how many were first-time clients of Farmers Home?

Mr. CLARK. FmHA made 7,989 initial guaranteed operating loans in fiscal year 1985.

AVERAGE DOLLAR VALUE OF GUARANTEED OPERATING LOANS

Mr. WHITTEN. What was the average dollar value of the operating loans guaranteed in fiscal year 1985?

Mr. CLARK. The average dollar value of guaranteed operating loans obligated in fiscal year 1985 was $114,200.

Mr. WHITTEN. How does this compare to the average dollar value of insured loans in fiscal year 1985?

Mr. CLARK. The average dollar value of guaranteed operating loans was slightly more than 2.4 times the average dollar value of insured operating loans, which was $47,100 in fiscal year 1985.

Mr. WHITTEN. Do you expect this trend will continue in fiscal years 1986 and 1987?

Mr. CLARK. We expect the average dollar value of guaranteed loans will decrease in fiscal years 1986 and 1987 as more and more of FmHA's direct operating borrowers use guaranteed loan credit.

FARM OWNERSHIP LOANS

Mr. WHITTEN. You are again proposing elimination of the Farmers Home farm ownership loan program. What is your rationale for this proposal?

Mr. CLARK. Legislation will be proposed to terminate real estate lending because the priority problem to be addressed is the need for operating credit. Insured farm ownership loans represent long term obligations upon the Federal treasury and displace private financial sources.

Mr. WHITTEN. Are you suggesting that the type of borrower traditionally served by Farmers Home will no longer have a source of credit to purchase their own farms or expand existing operations?

Mr. CLARK. Not at all. With increased guaranteed funding levels available, borrowers will benefit from FmHA expanding the availability of private credit and thus be assisted in obtaining credit from private sources to purchase farms and expand existing operations. In addition, real estate credit for existing Farmers Home borrowers will continue to be available through reamortization and rescheduling of loans secured by real estate.

Mr. WHITTEN. How many applications for farm ownership loans did you receive in fiscal year 1985, and thus far in fiscal year 1986?

Mr. CLARK. In fiscal year 1985, 30,629 applications for farm ownership loans were reviewed by FmHA. As of March 22, 1986, 10,117 applications for farm ownership loans have been received for fiscal year 1986.

Mr. WHITTEN. How many applications were approved in fiscal year 1985, and what was the aggregate level of obligations?

Mr. CLARK. In fiscal year 1985, 7,424 direct farm ownership loans were obligated for a total of $652.6 million and 453 guaranteed farm ownership loans were made for a total of $67.9 million.

FARMERS HOME ADMINISTRATION FARM INVENTORY

Mr. WHITTEN. How many farms do you currently have in inventory by State, and what is the estimated dollar value of the inventory by State?

Mr. CLARK. We will provide that for the record.

[The information follows:]

FARM INVENTORY PROPERTY AS OF FEBRUARY 1986

[Dollars in thousands]

State	Number of farms	Estimated value
Alabama	14	$1,706
Alaska	0	0
Arizona	13	5,694
Arkansas	113	18,054
California	89	43,742
Colorado	98	23,130
Connecticut	2	556
Delaware	1	140
Florida	86	14,047
Georgia	114	20,151
Hawaii	0	0
Idaho	149	29,220
Illinois	106	14,612
Indiana	173	22,850
Iowa	211	34,144
Kansas	220	32,910
Kentucky	62	6,170
Louisiana	83	26,866
Maine	38	2,777
Maryland	13	2,566
Massachusetts	5	2,333
Michigan	149	26,207
Minnesota	141	26,444
Mississippi	142	32,865
Missouri	510	78,192

FARM INVENTORY PROPERTY AS OF FEBRUARY 1986—Continued

[Dollars in thousands]

State	Number of farms	Estimated value
Montana	17	4,990
Nebraska	80	13,428
Nevada	4	2,331
New Hampshire	2	135
New Jersey	5	685
New Mexico	33	10,349
New York	140	14,250
North Carolina	148	25,703
North Dakota	91	19,384
Ohio	53	7,111
Oklahoma	134	23,430
Oregon	55	13,825
Pacific Territories	0	0
Pennsylvania	40	5,549
Puerto Rico	23	2,460
Rhode Island	1	500
South Carolina	43	10,093
South Dakota	139	19,273
Tennessee	190	16,337
Texas	47	14,222
Utah	3	1,093
Vermont	3	540
Virgin Islands	0	0
Virginia	17	1,844
Washington	47	13,939
West Virginia	12	1,449
Wisconsin	170	22,778
Wyoming	21	6,053
U.S. totals	4,050	717,127

Mr. WHITTEN. How does this compare with the inventory last year and the 2 preceding years?

Mr. CLARK. A comparison of the last three fiscal years will be provided for the record.

[The information follows:]

FARM INVENTORY PROPERTY

State	Fiscal year—		
	1985	1984	1983
Alabama	26	66	28
Arizona	11	20	15
Arkansas	109	104	77
California	73	41	18
Colorado	91	71	41
Delaware	1	5	15
Maryland	11	16	0
Florida	86	81	32
Georgia	127	142	112
Idaho	138	74	52
Illinois	98	52	33
Indiana	177	111	69
Iowa	159	151	35
Kansas	194	114	58
Kentucky	74	60	52
Louisiana	77	82	26

FARM INVENTORY PROPERTY—Continued

State	Fiscal year—		
	1985	1984	1983
Maine	37	57	40
Massachusetts	6	8	11
Connecticut	5	1	0
Rhode Island	0	0	0
Michigan	133	544	87
Minnesota	123	98	42
Mississippi	161	129	136
Missouri	452	338	182
Montana	20	22	10
Nebraska	64	52	8
New Jersey	4	14	4
New Mexico	25	9	15
New York	129	126	67
Virgin Islands	0	0	0
North Carolina	165	135	121
North Dakota	70	29	24
Ohio	64	109	34
Oklahoma	133	104	57
Oregon	55	62	12
Pennsylvania	43	67	35
South Carolina	43	41	18
South Dakota	118	59	18
Tennessee	181	168	124
Texas	42	48	34
Utah	3	3	4
Nevada	5	2	0
Vermont	5	9	6
New Hampshire	1	0	0
Virginia	23	218	23
Washington	46	26	15
West Virginia	14	16	15
Wisconsin	159	112	67
Wyoming	18	5	4
Alaska	0	0	0
Hawaii-American Samoa	0	0	0
West Pacific Territory	0	0	0
Puerto Rico	20	15	15
Totals	3,819	3,816	1,891

Mr. WHITTEN. Of the total number of farms in inventory as of September 30, 1985, how many were acquired through Farmers Home foreclosures, voluntary conveyance, or foreclosure of other lenders?

Mr. CLARK. Of the 3,819 farms in inventory as of September 30, 1985, 1,345 were acquired through voluntary conveyances, 224 by Farmers Home foreclosures, and 984 foreclosures by other lenders.

DISPOSITION OF INVENTORY PROPERTY

Mr. WHITTEN. How many inventory properties did you sell, lease, rent, or otherwise dispose of in fiscal year 1985?

Mr. CLARK. In fiscal year 1985, 999 farms were sold and 768 farms were leased.

Mr. WHITTEN. Of the sold, leased, or rented, how many were transferred to eligible Farmers Home borrowers?

Mr. CLARK. In fiscal year 1985, 396 farms were sold to eligible Farmers Home borrowers. Data is not available on the number of properties leased to eligible Farmers Home borrowers.

Mr. WHITTEN. Of those leased or rented, how many were transferred back to the farmer owning the property when the property was place in inventory?

Mr. CLARK. This information is not captured in our reporting system.

Mr. WHITTEN. Do you still have restrictions on inventory sales in some States?

Mr. CLARK. At the present time, all FmHA inventory farm sales and leases are suspended until revised FmHA instructions are issued to permit the borrower to retain possession by leasing the properties from FmHA with an option to purchase.

Mr. WHITTEN. If so, in how many States and/or counties have you stopped or restricted sales?

Mr. CLARK. Before the current suspension on all sales, 8 States and 95 counties in 14 other States had suspended the sale of farm inventory properties because of adverse economic conditions.

OTHER TYPES OF ASSISTANCE

Mr. WHITTEN. Are limited resource borrowers eligible to purchase Farmers Home inventory property?

Mr. CLARK. If the farm is classified as a "suitable" farm, it will be offered to eligible FmHA applicants.

Mr. WHITTEN. Would you provide data on the number of delinquent borrowers you assisted in fiscal year 1985, by type of assistance, by reamortization, rescheduling, deferral, set-aside, etc. How does this compare with previous years?

Mr. CLARK. Our reporting format changed in fiscal year 1985, resulting in many of the county offices reporting the number of loans rescheduled, reamortized, and deferred rather than the number of borrowers. Therefore, our data for fiscal year 1985 is not useful at this time. However, in fiscal year 1985, 15,794 borrowers were granted debt set-aside assistance. In fiscal year 1984, 30,204 borrowers had their loans rescheduled or reamortized, and 2,840 borrowers were granted deferrals of principal and/or interest. In fiscal year 1983, 30,804 borrowers had their loans rescheduled or reamortized and 2,925 borrowers were granted deferrals of principal and/or interest.

LOAN ASSET SALES

Mr. WHITTEN. The Administration's budget proposes to test the feasibility of selling portions of loan assets of the revolving funds. Have you developed criteria for such sales?

Mr. CLARK. The Office of Management and Budget and the Treasury Department are currently developing overall criteria for the sale of loan assets. FmHA will develop Agency criteria within the framework issued by these guidance agencies.

Mr. WHITTEN. By how much will you have to discount the value of the loans of the rural housing insurance fund and the rural development insurance fund to market these loans?

Mr. CLARK. The amount of discount will be dependent on credit market conditions at the time of sale and the method of selling used. These factors cannot be evaluated until OMB and Treasury issue their guidelines.

Mr. WHITTEN. Have you identified prospective buyers of these loans? Will they be sold outright or by certificates of beneficial ownership?

Mr. CLARK. A broad class of prospective buyers has been identified for the community program loans. At this time, no commitments or decisions on the type of sale have been made. The decision on outright sales or certificates of beneficial ownership will be made after OMB and Treasury make their decisions.

Mr. WHITTEN. Will not such sales result in the loss of principal and interest due the revolving funds?

Mr. CLARK. The principal and interest would not be a loss. The principal would be collected at the time of sale rather than over the remaining life of the loan. The interest is not lost either because, in theory, the buyer will pay a price to the Agency that will include their assessment of the net present value of the future stream of interest payments.

Mr WHITTEN. Over the long term, will not the loss of principal and interest due the revolving funds offset the discounted sales price?

Mr. CLARK. Not necessarily. The interest and servicing costs to the Agency over the life of the loans currently exceed the interest income on the loan portfolio. Therefore, it may be possible to sell the portfolio for a value greater than its present value to the Government.

Mr. WHITTEN. Will the borrowers lose benefits, such as interest credit, that they may be eligible for in the future?

Mr. CLARK. This depends partly on the sales method selected and conditions placed on the purchaser of the loans.

Mr. WHITTEN. Do you have any plans to sell farm operating loans? If so, would such sales be on a nonrecourse basis?

Mr. CLARK. At the present time, there is no plan to sell farm operating loans.

Mr. WHITTEN. By how much would you have to discount operating loans in order to sell them?

Mr. CLARK. Since there are no present plans to sell farm operating loans, we do not have an estimate of the discount necesasary to sell such loans.

RURAL HOUSING INSURANCE FUND

Mr. WHITTEN. For fiscal year 1987 you are proposing termination of the rural housing programs. What levels were requested for the various programs in Farmers Home's request to the Under Secretary? What did the Under Secretary request of the Secretary, and what did the Secretary request of OMB?

Mr. CLARK. Both the Agency's request and the Under Secretary's recommendation to the Secretary for the fiscal year 1987 funding levels for rural housing loan and grant programs were the same. The loan program requests were as follows: section 502, $700 million; section 515, $290 million; section 504, $5 million; and section

514, $5 million. Rural rental assistance was requested at a $50 million level and no funding was requested for any other housing grant programs. The Secretary's allowances which were forwarded to OMB requested no fiscal year 1987 funding for FmHA's housing programs.

Mr. WHITTEN. The President's budget states that HUD's housing voucher program will replace the Farmers Home ownership and rental housing programs among others. What discussions have been held between the Department and HUD regarding this decision? Has HUD informed the Department how they propose to administer their housing programs in rural areas? Please provide for the record a list, by State, of the Farmers Home and HUD field offices located outside major urban areas.

Mr. CLARK. Discussions were held at program level between representatives from Farmers Home Administration, USDA, and the Department of Housing and Urban Development. Rural areas now served by FmHA will be served by HUD by increasing its rural housing assistance from the present 25 percent of its housing appropriations to 50 percent. This new ratio would provide a more favorable opportunity for rural residents to compete for HUD's program when FmHA ceases to provide such housing assistance.

HUD's organizational structure is comprised of ten regional offices, all of which, although located in large metropolitan areas, are authorized to serve both urban and rural areas in the United States. Each Regional Office has a number of field offices assigned to it.

Farmers Home Administration has 46 State Offices and 1,938 local county offices. Although most State Offices are located in larger cities, the local field offices are almost always located in smaller rural communities. Following is a list of HUD Regional Offices and FmHA State Offices.

[The information follows:]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REGIONAL OFFICES

Region I	Boston.
Region II	New York City.
Region III	Philadelphia.
Region IV	Atlanta.
Region V	Chicago.
Region VI	Fort Worth.
Region VII	Kansas City.
Region VIII	Denver.
Region IX	San Francisco.
Region X	Seattle.

FARMERS HOME ADMINISTRATION STATE OFFICES

Montgomery, Alabama
Palmer, Alaska
Phoenix, Arizona
Little Rock, Arkansas
Woodland, California
Denver, Colorado
Dover, Delaware
Gainesville, Florida
Athens, Georgia
Hilo, Hawaii
Boise, Idaho
Champaign, Illinois
Indianapolis, Indiana
Des Moines, Iowa
Topeka, Kansas
Lexington, Kentucky

Alexandria, Louisiana
Orono, Maine
Amherst, Massachusetts
East Lansing, Michigan
St. Paul, Minnesota
Jackson, Mississippi
Columbia, Missouri
Bozeman, Montana
Lincoln, Nebraska
Mt. Holly, New Jersey
Albuquerque, New Mexico
Syracuse, New York
Raleigh, North Carolina
Bismarck, North Dakota
Columbus, Ohio
Stillwater, Oklahoma
Portland, Oregon
Harrisburg, Pennsylvania
San Juan, Puerto Rico
Columbia, South Carolina
Huron, South Dakota
Nashville, Tennessee
Temple, Texas
Salt Lake City, Utah
Montpelier, Vermont
Richmond, Virginia
Wenatchee, Washington
Morgantown, West Virginia
Stevens Point, Wisconsin
Casper, Wyoming

Mr. WHITTEN. If you terminate the rental assistance program, will not the financial viability of many of the rural rental housing projects be jeopardized? If these projects are taken into the Farmers Home inventory, how will you dispose of them without authority to make the loans? If so, will they still be used for low-income occupancy?

Mr. CLARK. Yes, termination of the rental assistance program could adversely affect the viability of some rental housing projects. We anticipate the HUD's rental housing voucher program would be used in the future by renters in FmHA rental housing projects.

If the availability of HUD vouchers, management initiatives, and additional servicing actions by FmHA cannot offset the loss of rental assistance units, FmHA may have to acquire some projects. The sale of such projects could be accomplished under the Agency's credit sale authorities and without any new loan authorizations.

The units would still be affordable for low income occupancy under FmHA's standard interest credit program. If very low income occupancy is desired by the Agency or mandated by the client population's income, then the sale of a project would need to be accomplished at the lower current market value of the project that reflects the true economic value of the property to an investor. The smaller investment and debt service for the investor would allow for lower, more affordable rental rates after the sale.

Mr. WHITTEN. In the notes you state that HUD programs rely to a far greater extent on the existing housing stock as opposed to new construction. What is the general availability of rental housing stock in rural areas, and in what condition is available stock?

Mr. CLARK. Farmers Home Administration does not maintain a statistical data base on rental housing stock available in rural communities. However, it has been our experience based on the review of professional market studies that other rental housing does exist in rural areas. With a rent subsidy voucher system, this housing could become available to the typical low-income tenant.

Mr. WHITTEN. Please describe in some detail the socioeconomic characteristics of the tenants in Farmers Home rural rental housing projects, particularly those qualifying for rental assistance. In particular, provide the percentage of elderly tenants on fixed incomes.

Mr. CLARK. FmHA's multiple family housing portfolio includes over 360,000 individual rental units. In these units, 68 percent of the households have very-low incomes or 50 percent or less of area median income and 25 percent have low incomes or between 50 and 80 percent of area median income. This could mean that 93 percent of all tenant households in multiple family housing projects could potentially qualify for rental assistance if they are paying more than 25 percent of their income for rent.

Forty-six percent of all tenant households are elderly. Eighty-two percent of elderly households have very-low incomes which we conclude to mean they are equivalent to fixed incomes.

Mr. WHITTEN. Please provide, for the record, a schedule of rental assistance units showing the expiration dates of existing rental assistance agreements, the number of units affected, and the estimated cost of extending those contracts under existing authorities.

Mr. CLARK. We estimate the amount of rental assistance needed in terms of units, which will expire within a given fiscal year. Our estimates of the number of units needed are based on historical usage. The estimate of units expiring by quarter in fiscal year 1987 due to contract expiration or depletion of funds and the estimated cost of extending those contracts will be submitted for the record.

[The information follows:]

FY 1987 RENTAL ASSISTANCE EXPIRATIONS

[Dollars in millions]

	Units expiring	Estimate cost [1]
1st Quarter	3,250	$35.9
2nd Quarter	3,317	36.6
3rd Quarter	2,823	31.2
4th Quarter	2,610	28.8
Total	12,000	132.5

[1] Based on $11,047 per unit cost for renewal units used in fiscal year 1985 and fiscal year 1986.

MOBILE HOME LOAN PROGRAM

Mr. WHITTEN. What is the current status of the mobile home loan program? Have any ownership loans been made under the mobile home loan program? If so, what is the average dollar value of the loan compared to current average loan for constructed housing?

Mr. CLARK. A proposed rule to authorize the financing of manufactured homes was published in the Federal Register on January 16, 1986. The comment period closed March 16, 1986. We are currently evaluating those comments, and anticipate publishing a final rule in the near future. Once a final rule is published, we will start financing manufactured homes.

PILOT PROJECTS FOR LOAN SERVICING

Mr. WHITTEN. In the past 2 years, you have initiated pilot projects for servicing portions of the housing portfolio. What is the status of those projects?

Mr. CLARK. Early in 1984, FmHA implemented a servicing and collection contract with Great Atlantic Mortgage Corporation—GAM—in Puerto Rico. We now have over 2 years experience with this contract and are analyzing the contract and the contractor's performance. The delinquency rate in Puerto Rico is declining but is still considerably higher than when the contract was implemented. It has been difficult to analyze the contract performance because FmHA cannot delegate decision making to the contractor and this, at times, has caused delays. While FmHA program benefits have been minimal, the decision has not yet been made as to whether FmHA will readvertise this pilot project for another fiscal year.

Also, pilot projects were considered in South Carolina for collection and servicing and in Pennsylvania for counseling rural housing. After careful analysis of proposals submitted for these projects, it has been determined not to be in the government's best interest to proceed with the projects at this time.

Mr. WHITTEN. Does it appear at this point that this type of effort would be a cost-effective means of servicing these accounts.

Mr. CLARK. Our initial analysis of the servicing and collection contract in Puerto Rico indicates it is not likely the pilot project can be cost effective as currently operated. Consideration is being given to structuring the contract in a different manner where the contractor can have separate and distinct tasks for which he can be held accountable. Performance of the contract could then be monitored and a determination made of cost effectiveness.

Mr. WHITTEN. Have you received any complaints from the borrowers regarding these servicing initiatives? If so, what is the general nature of the complaints?

Mr. CLARK. There was some initial resistance from a very few borrowers who objected to loan servicing activity by a contractor rather than the government agency that made the loan. After FmHA verified the contractor was representing FmHA, complaints virtually disappeared.

HOUSING INVENTORY

Mr. WHITTEN. How many 502 and 515 properties do you have in inventory as of September 30, 1985? What was the estimated value of those properties?

Mr. CLARK. As of September 30, 1985, there were 14,934 single family housing properties in inventory with an estimated value of $436,276,000 and 13 small multi-family rental projects in inventory with an estimated value of $5,472,000.

Mr. WHITTEN. How does that level of inventory compare to the levels at the end of fiscal year 1983 and fiscal year 1984?

Mr. CLARK. The level of inventory was higher in fiscal year 1985 than in fiscal years 1983 and 1984 for both types of housing. In fiscal year 1984, the inventory included 13,277 single family units and 6 projects of multi-family rental housing. In fiscal year 1983, the inventory comprised 12,160 single family units and 7 projects of multi-family rental housing.

Mr. WHITTEN. How many of the units in inventory did you sell in fiscal year 1985? How many of the sales were to noneligible buyers? How many to eligible borrowers?

Mr. CLARK. During fiscal year 1985, 15,600 single family housing properties were sold. Out of this total, 6,019 units were sold to ineligible buyers and 9,581 units to eligible borrowers. All the multi-family housing projects that were in inventory during the past three fiscal years have been sold to eligible borrowers.

RURAL DEVELOPMENT INSURANCE FUND

Mr. WHITTEN. Please provide for the record the program levels you requested of the Under Secretary, the levels the Under Secretary requested of the Secretary, the levels the Secretary requested of OMB, and the OMB allowance.

Mr. CLARK. The Agency's request, the Under Secretary's recommendation to the Secretary and the Secretary's request to OMB for fiscal year 1987 funding levels for the rural development loan programs were $340 million for the water and waste loan program and $130 million for the community loan program. No funding was requested for the business and industry loan program. The OMB allowance provided no fiscal year 1987 funding for the rural development loan programs.

RURAL DEVELOPMENT APPLICATIONS

Mr. WHITTEN. How many applications do you currently have on hand for rural water and waste disposal loans? For grants? For community facility loans? For B&I loans?

[The information follows:]

As of April 9, 1986, the following preapplications and applications are on hand:

	Number	Amount
Water and Waste Dispoal Loans:		
Preapplications	1,083	$645,341,833
Applications	51	30,418,779
Water and Waste Disposal Grants:		
Preapplications	474	272,225,539
Applications	19	27,834,800
Community Facility Loans:		
Preapplications	171	144,426,765
Applications	23	15,526,648
Business and Industry Loans:		
Preapplications	28	31,754,073
Applications	28	89,904,401

HUD'S COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Mr. WHITTEN. Many of the communities served by Farmers Home do not have full time managers or administrators. How can you expect them to compete with larger communities for HUD's community development block grant program?

Mr. CLARK. The President's fiscal year 1987 Budget proposed the rural share of HUD's community block grant program be increased from 30 to 35 percent of the total funds available. Therefore, rural communities will be competing for a larger share of the total funds available. In addition, communities without in-house expertise may obtain assistance from State and local governmental agencies, paid consultants, or other organizations that provide such assistance.

Mr. WHITTEN. Many of the rural water systems assisted by Farmers Home are quasi-governmental or privately owned systems which are not eligible for HUD's community development block grant program. Do you have any suggestions as to how these systems can be assisted in the future?

Mr. CLARK. In the future, quasi-governmental or privately owned rural water systems not eligible for HUD's community development block grant program will rely on the private sector and/or State and local government programs. Several States have established loan and/or grant programs to finance water improvement projects in their State.

Mr. WHITTEN. What percentage of the borrowers now served by Farmers Home are not eligible for assistance under HUD's community development block grant program or EPA's construction grant program?

Mr. CLARK. As of April 9, 1986, the Farmers Home Administration has about 13,300 water and/or waste disposal borrowers. Approximately 3,200, or 24 percent, of these borrowers are nonprofit organizations which would not be eligible for assistance under HUD's community development block grant program or EPA's construction grant program.

RURAL DEVELOPMENT LOANS DECLINED

Mr. WHITTEN. What is the number and dollar amounts of the loans, by program, that were declined in fiscal year 1985?

Mr. CLARK. In fiscal year 1985, 1 water and waste disposal loan in the amount of $242,900, 3 community facilities loans in the amount of $4,122,060, and 55 business and industry loans in the amount of $50,498,155 were declined.

NATIONAL ADVISORY COUNCIL OF RURAL DEVELOPMENT

Mr. WHITTEN. Do you have any meetings scheduled for the National Advisory Council on Rural Development this year?

Mr. NAYLOR. There are no meetings currently scheduled for the National Advisory Council on Rural Development in fiscal year 1986.

Mr. WHITTEN. Please provide for the record a list of meetings held by the Advisory Council in fiscal year 1985, the purpose of those meetings, a list of those members attending, and the expenses incurred by and in support of the Council.

Mr. NAYLOR. In fiscal year 1985, there were no members of the Advisory Council. There were no meetings and it did not have any expenses.

AUTOMATED PROGRAM DELIVERY SYSTEM

Mr. WHITTEN. Please provide for the record an update of your status in implementing the Automated Program Delivery System (APDS).

Mr. CLARK. FmHA provided a status report to this committee on February 11, 1986. Most of the information provided here is also contained in that report. FmHA awarded a contract for the software development and implementation phases of APDS to the OAO Corporation on July 22, 1985. The contractor has reviewed the detail design prepared by the planning and design contractor, Price Waterhouse, and has delivered a comprehensive implementation plan. This implementation plan is currently under review by FmHA and the MITRE Corporation. OAO has been developing program specifications and an overall conversion approach deliverable. The work is currently on time and within budget.

The Department of Agriculture awarded a requirements contract for multifunction work station equipment to Electronic Data Systems (EDS) Corporation on September 10, 1985, based on the combined requirements of the Farmers Home Administration and Soil Conservation Service. This contract provides office automation equipment and related services to all USDA agencies.

The consulting firm of Price Waterhouse estimated in 1983 that the amount eventually charged to the revolving funds for nonrecurring out-of-pocket costs for accomplishing the strategic modernization effort would be in the $55 to $60 million range. As you may know, the ongoing credit crisis in rural America has resulted in growing workloads, new credit initiatives, and increasingly complex operating conditions. These factors, as well as the need for comprehensive training, were pointed out in the House of Representatives Special Investigation Report of March 1985. The need for more comprehensive training was also recognized by the President's Private Sector Survey on Cost Control when they reviewed and endorsed our program. In addition, the equipment and services pricing provided to the Government under the contract with EDS exceeds the original estimates developed by Price Waterhouse.

In order to keep pace with these conditions, we will need to invest substantially more on equipment, software, procedures, and training than originally planned. Our current estimates, given the contract with EDS and the current operating situation, are that the revolving fund charges will be approximately $97 million over the fiscal year 1983–1989 period. In addition, about $9 million will be required from the direct appropriations account for Salaries and Expenses to cover nonrecurring costs. All operational costs of a recurring nature will be borne by appropriations for Salaries and Expenses. Equipment, related contract services, and software development account for approximately two-thirds of this total.

Mr. Whitten. What is your estimated cost for APDS in fiscal years 1986 and 1987?

[The information follows:]

	1986	1987
Automated Program Delivery System (APDS):		
Revolving Funds	$2,505	$2,086
Salaries and Expenses Appropriations	1,300	2,800
Automated Field Management System (AFMS):		
Revolving Funds	51,348	25,410
Salaries and Expenses Appropriation	625	375
Totals:		
Revolving Funds	53,853	27,496
Salaries and Expenses Appropriation	1,925	3,175

Mr. **Whitten**. What is the current status of the automated field management system? Have you begun installation of the equipment in the field?

Mr. **Clark**. The first cycle of applications has been prototype tested in county offices. These applications are being converted to run on the AT&T equipment procured under the Department of Agriculture contract with EDS. Training is underway for the personnel in each State who will provide training to local FmHA offices. We have developed an automated ordering the tracking system to process equipment orders, verify invoices, and provide equipment inventory accounting.

Initial deliveries of equipment have occurred at the National Office and the St. Louis Finance Office. These initial systems are already being used to develop and support field office software. Deliveries for State Offices, district offices, and county offices began in April 1986. Approximately 1,000 offices will have equipment installed by the end of fiscal year 1986, with the balance installed during calendar year 1987.

Mr. **Whitten**. Mr. Traxler, will you take over.

Mr. **Traxler**. Mrs. Smith.

Mrs. **Smith**. Thank you, Mr. Chairman.

SALE OF FMHA'S INVENTORY

Mr. Clark, Mr. Naylor, we are happy to have all of you here today.

Tell me the status of the moratorium that has been in effect on the sale of FmHA's inventory in several states including Nebraska.

Mr. **Clark**. We are watching that inventory land and we are not putting property on the block in any of those states, especially where it would decrease the value of the property around it. We are releasing property in some states, I believe, including Nebraska on a case-by-case basis. If a farmer is willing to buy 200 acres of property at market value and that sale will not diminish the value of the property around it, we will make a deal. So we are husbanding that land and will continue to do as the 1985 farm bill mandates.

Mrs. **Smith**. You are not putting land on the market unless the FmHA feels it will not deteriorate the value of surrounding land.

Mr. **Clark**. That is correct.

INTEREST BUY-DOWNS

Mrs. **Smith**. I know about the interest buy-downs. Can you comment on the implementation of that program.

Mr. **Clark**. The instructions are out into our field offices. It is a slow-moving process to begin with. Again, those debts need to be resolved before the borrower has access to that land and homestead property. We are taking applications now, anticipating from those borrowers a liquidation of their accounts with us. We are moving ahead on that.

In fact, we sent a special team to a southern state to be sure we are doing the right things and that the regulations are appropriate, that the forms are appropriate, to get a feel of what that reception might be and there was, I think, a positive response. I think it is going do take off, if you will, soon. I think our borrowers are waiting for that. We are working on that, and I think it will be a Godsend in many respects for the American farmers.

Mrs. **Smith**. With regard to the interest buy-down, what kind of reception are you having on that?

Mr. **Clark**. Very slow. I think we obligated one in Iowa, the first state, and Wisconsin and Arkansas have proposals. That is a slow process. The bankers need to write down a portion of their income. I think they are a little reluctant to do that.

Mrs. **Smith**. That is what I noticed, and I wondered if you were really going to be able to get the program to work.

Mr. **Clark**. As the program advances, and the applications come before those independent bankers, we are going to see this program as a possibility of resolving some of their own credit problems. We hope that the interest buy down program will be more closely followed and more aptly embraced throughout the banking communities.

ADEQUACY OF STAFF TO PROCESS APPLICATIONS

Mrs. **Smith**. Then, Mr. Clark, could you comment about the staff. Do you have adequate staff to process those operating loans in time for farmers to receive the money by planting time? I know last year with great effort in my state we did process all those loans and it was very much appreciated. Are we going to be able to do that this year?

Mr. **Clark**. We think we can. We authorized a thousand new staff positions on a part-time basis and over $2 million in overtime, so we are giving the tools to our field offices to allow them to do that. Many of our people would prefer to have the overtime rather than using temporary help.

Mrs. **Smith**. I have no further questions, Mr. Chairman.

Mr. **Traxler**. Thank you very much.

Mr. Natcher.

REDUCTION OF EMPLOYMENT

Mr. **Natcher**. Mr. Clark, in your statement to the committee, you point out that your employment ceiling under your budget request would be 11,000 staff years. This is a reduction of how many, Mr. Clark?

Mr. **Clark**. 1400 reduction.

Mr. **Natcher**. Do you feel this reduction is absolutely necessary? Is the 11,000 adequate?

Mr. **Clark**. With automation coming about, it is going to save us a lot of hours in our field offices. Attrition will certainly allow us realistically to resolve that, and we can make that transition with the staff yet available. We think we can do it.

Mr. **Natcher**. Thank you, Mr. Chairman.

Mr. **Traxler**. Mr. Akaka.

MUTUAL AND SELF-HELP HOUSING

Mr. **Akaka**. Under the mutual and self-help housing program, grants are made to local organizations which provide technical assistance to families to build homes by mutually exchanged labor. These families could not otherwise afford to own a home except through a self-help construction program. Congress appropriated $8 million in 1986 and self-help to the program and in 1987 the budget request contains no funds for this program. In your experience, has the mutual and self-help housing program enabled families that could not otherwise afford to have a home to build a house through mutually exchanged labor?

Mr. CLARK. Not on a broad spectrum. I have had some experience in my home state in California. Tulare, California, had one of the best programs going. They put their best efforts into a single-family dwelling but overall that has not been universally taken advantage of across the nation. It has not really proven to be that important a program for us.

Mr. AKAKA. In your opinion, would the low-income families have the opportunity to obtain homes through self-help initiative if this program did not exist?

Mr. CLARK. I think they would. We have our 502 program single family with interest subsidies. We have rural rental housing with rental subsidies. I think the 502 program is probably the greatest opportunity for them to do that.

Mr. AKAKA. If either the department or organizations providing self-help assistance to low-income groups which received letters for mutual and self-help programs you have administered, I would appreciate it if you could provide copies for the record.

I also want to point out that I visited one of these projects in Hawaii and these families. There was is one group of housing that has been completed and I understand that although there are many difficulties to that and, in this particular case, they were successful. The families admit that it was a strain on their part and others helping them and they are helping others to complete these homes. They are starting on another batch of units. I just hope it will be successful. But for some of these folks, they say this is the only way they can come to owning their own home, so they are doing all they can to do it. For these folks out there, this program certainly has been a big help.

Mr. CLARK. You have acknowledged some problems out there. There always seem to be the experts and contractors waiting to give them their advice and they all have their hands out for their cut of the construction dollar. I am not sure the owner gets the real value of the construction dollar.

TRANSFER OF HOUSING PROGRAMS TO HUD

Mr. AKAKA. I have spoken with the families in it and they admit it is difficult because they really want the homes. They work hard at it.

The Administration's 1987 budget proposes that Farmers Home Housing programs be transferred to HUD, that the programs of both agencies be consolidated into a single housing voucher program. I am concerned about the timing of possible consideration of the administration's proposal. I say this because we may mark up the FY 1987 sometime in May. Has the Administration's proposal been forwarded to Congress for introduction and, if not, when will it be transmitted?

Mr. NAYLOR. Congressman, there will be a coordinated effort. I am not sure of the exact timing on it at this point. I will supply it for the record and to your office on what the Administration's overall timetable will be.

[The information follows:]

HOUSING TRANSFER TO HUD

The Administration is developing a plan regarding this transfer as part of the legislative process. This plan will be communicated to Congress shortly, as soon as it is finalized.

Mr. AKAKA. There is another concern here. If Congress does not accept the Administration's proposed housing voucher programs and housing programs are carried out based upon the existing authorization, how will this affect your budget request for FY 1987.

Mr. NAYLOR. If the proposed budget is not enacted, we will reevaluate our situation in light of Gramm-Rudman and come back to Congress with appropriate recommendations.

REDISTRIBUTION OF FARM OWNERSHIP LOAN FUNDS

Mr. AKAKA. My last question is on farmers home loans. Loans for the enlargement of farms and the demand for farm ownership loans has far outpaced the supply of funds. What is the current status of the redistribution of ownership loan funds?

Mr. CLARK. I should say we have redistributed the funds. We have a small national reserve. We have obligated $256 million of the $292 million allotted this year so far in direct farm ownership loans. We have some $36 million yet to be obligated. Most states have those applicants identified, and we expect those funds, indeed, to be obligated very soon.

We have the guaranteed farm ownership program through the other lenders. We have obligated about $46 million of the $249 million allotted in the guaranteed program. We really need the cooperation of other lenders, the banks and federal land banks, to make that program go.

Again, our interest rate is attractive and we are mandated by law what the interest rates will be. They are lower than the market rates and that really puts pressure on us. The applicants certainly would rather come to us at a lower interest rate than going to another lender.

Mr. AKAKA. Does the department anticipate it will make another allocation of farm home ownership loans to high demand states before the end of the fiscal year?

Mr. NAYLOR. Congressman, we normally pool at the end of the fiscal year for funds not utilized by some states but, by and large, the farm ownership funds are typically used by the states. When you have a deeply subsidized loan, there is an enormous amount of potential demand because people will attempt to get the lower rate if it is possible.

Historically, the Congress has not added to the funding in the real estate program during the course of a year but has supported the level of funding that has been made available. If there have been adjustments made in the programs historically, it has been on the operating loan side of the ledger and, historically, as we have done this year, additional funds have been made available where demand indicates the need for it.

MUTUAL AND SELF-HELP HOUSING

Mr. AKAKA. Identify the number of self-help housing technical assistance grantees in each of the past 3 fiscal years.

Mr. CLARK. In fiscal year 1983, there were 61 active self-help technical assistance grantees. In fiscal year 1984 there were 70 grantees and in fiscal year 1985 there were 68 grantees.

Mr. AKAKA. For the past fiscal year, identify the average savings per house constructed through the self-help housing program and the average cost per unit of housing constructed through self-help housing.

Mr. CLARK. The average savings per house constructed through the self-help housing programs for fiscal year 1985 was $10,780. The average cost per unit of housing constructed through self-help housing was $40,171.

Mr. AKAKA. During the past fiscal year, identify the average savings per borrower associated with interest costs avoided as a result of houses constructed through the mutual and self-help housing program.

Mr. CLARK. There are no readily available statistics on the average interest savings on self-help built houses. However, a $10,780 reduction in a mortgage at the average portfolio rate of 3¼ percent for 33 years would result in $6,850 in interest savings to a borrower. The $10,780 is the average mortgage amount difference between contractor built houses and self-help built houses in fiscal year 1985.

Mr. AKAKA. What is the average income of Section 502 borrowers and the average income of borrowers utilizing the self-help program?

Mr. CLARK. At present, we do not have data that gives us a breakout of average family incomes for self-help borrowers. In the past, we have compared extrapolated data and concluded that such data was biased because of geographical areas.

Self-help loans are generally made in areas where contractor built homes cannot be financed by FmHA because of the cost. However, because of the savings attributed to the self-help method, low-income families can be adequately housed.

To present a representative comparison of the two sets of data, we would have to survey individual county offices. However, our current policy requires self-help to almost exclusively serve the very low income. Last year, approximately 40 percent of the borrowers assisted with self-help loans were very low as compared to less than 25 percent with contractor built houses.

Mr. AKAKA. Thank you, Mr. Chairman.

Mr. TRAXLER. Mr. Skeen.

PERCENT OF LOAN FUNDS OBLIGATED

Mr. SKEEN. Mr. Naylor and Mr. Clark, I understand more than anybody else probably how difficult this situation is at this time.

My concern is we have an attitude around this place up here any business can fail but don't let a farmer fail. The United States has dedicated itself to that for some 40-odd years that I am aware of.

The stark reality of the situation is unfortunately under circumstances today some farms fail. I know it has been alluded to here in the testimony today about cash flowing.

There have been programs in the past that I know of that have been allowed agricultural operators to so in debt themselves it would be impossible in this lifetime, their children's lifetime or their grandchildrens' lifetime to ever pay it out. I know coming from your background, Mr. Clark, in banking, somewhere along the line we have to decide.

I would like to ask you of the $700 million we have in direct operating loans, how quickly have we committed that? What has the flow been? I know you went over this very quickly and I would like to get some idea about what percentage of commitment we have, because I think there is some question that you are not getting the applications, the money is not getting out, and that is what is interesting me. For those we can help, are they getting that flow into the direct operating area and how effective is it?

Then I want to ask you another question about how you cash flow a place.

Mr. CLARK. Of the $700 million, we have obligated about $338 million, so it is going out and it is going out fast.

Mr. SKEEN. So you are less than half?

Mr. CLARK. Yes, and we are trying to allocate that on a daily basis to the states that have the extra demand and states with peculiar situations this year. It will be a tight call. We are walking a fine line as we do that. We are very carefully monitoring this.

Mr. SKEEN. These are direct operating loans?

Mr. CLARK. They are, and we are allocating and obligating for additional guaranteed loans. Some states have called for additional guaranteed loans as well, and we are doing that on a daily basis.

Mr. NAYLOR. Mr. Skeen, I would hate to leave the impression that the agency has two separate standards under which it is operating.

Mr. SKEEN. That is my concern, too.

AGENCY GUIDELINES

Mr. NAYLOR. The operating instructions that are in the field for our guidelines on loans are all in writing. They charge our employees with using a full range of discretionary authority and to do everything within their power to continue to provide loan services to any borrower who has even the remotest chance of making repayment, even though it may involve extreme concessions beyond anything a commercial lender would consider.

We continue, despite the fact we are the lender of last resort, to provide operating credit needs to 97 to 98 percent of our borrowers, which I think is a record that speaks for itself in going the extra mile. We have typically averaged 40,000 to 50,000 cases a year, where special concessions have been granted to borrowers to keep them in business, but cash flow has to be looked at.

We are essentially saying when we look at borrowers, we take every concession we can reasonably give them, everything that we do to make it possible to continue to give them credit. As we look at a farmer's situation projected out five years, if there is still no conceivable way in which they could recover, then we need to resolve this debt burden and give them an opportunity for a fresh start. That is the only responsible thing to do.

This agency and some states, Mr. Skeen, have buried farmers in debt to the point where they can never recover. We have cases where a farmer's debt ratio is not one-to-one but two-to-one, three-to-one, four-to-one. We could give you case after case, Mr. Skeen, where this agency under prior administrations has made loans to borrowers to the point that their debt service alone exceeds the total gross income they can possibly make off their farming operation. We are not doing those operators any favor unless we find some way to get that burden off their backs and help them start afresh. That is what the homestead act is all about.

We want to be compassionate and understanding even in those cases where there is no other possible resolution. The record does not support the contention that this agency has not gone beyond every compassionate extra mile it could be asked to do.

NEED TO IMPROVE MARKETS

Mr. SKEEN. I appreciate the response. I get the feeling that we feel here that it is not only possible to keep the agricultural enterprise alive no matter what, but we can run around on the other end and affect the markets. We have had a sorry experience with the markets. I know you are mostly concerned with how we are going to get that money out to these folks who can qualify for it. Are you lenient enough? Are you exercising your options? Are you trying to help them as much as you possibly can? If so, then the other side of the argument is when are you going to start improving the market, and I don't think you can answer that. That is what I want to be reassured about.

You have been given the money, you are putting it out as quickly as you can and it is being taken up and being used. I think that is a pretty fair record considering the times we are in, because we are still in a tough marketing situation. We can point the finger of blame to almost anyone within a radius of ten feet.

I want to know if you are exercising the options, and you seem to be doing that.

Mr. NAYLOR. We have, exercising those options, and I would like to make an additional observation.

I would not want to leave the impression we are trying to talk people out of applying for loans. It is true there has been a reduction in the number of applications the agency has received this year. It is our evaluation, as it is of many others, that a large part of this is the result of producers, rather than going deeper in debt, are electing to use advance deficiency payments and other funds available to them to put their crops in the ground rather than burying themselves deeper in debt. That has had some effect—the time it took to get the farm program announcements out because many farmers held back until they knew what they were going to get before they made their borrowing decisions. That is the reason there has been a drop in applications, and it has nothing to do with the conduct of our employees or performance in the field.

RATE OF OBLIGATION OF LOAN FUNDS

Mr. Skeen. At the rate of outgrowth now, how long do you expect the remaining $338 million to last and how soon are we looking at another possibility of trying to come through with some more money in this, or when will you be asking for it?

Mr. Naylor. This is a cliff-hanger this year. April is normally our peak month. That is when the funds go out at the fastest rate. In about the second week of May, it almost stops until we get into the winter wheat lending season in July. It will almost be a dead heat whether or not we have enough funds to meet likely demand as we wrap up this spring season but, at the moment, it looks like that will be the case. We will have adequate funding through the spring lending season.

The tough question is that we are under a new provision called Gramm-Rudman in an effort to control this deficit. One of the decisions Congress is going to have to make is the allocation of resources that are available, including the lending programs which require a dollar-for-dollar offset from other farm programs or other sources in the Federal Government, if you are going to make any additional allocations to the lending programs.

I think the management decision we have made and one that appears to be shared by the majority of Congress is that the $20 billion plus dollars that are going to farm programs this year is the higher priority, and is going to best serve the interests of the American farmer and rancher and make it possible for him to have a chance to become economically viable again.

If Members of Congress elect to take another approach, obviously those funds could be distributed in some other manner, but the ability to simply add to that without taking into consideration Gramm-Rudman is simply no longer there.

Mr. Skeen. Thank you for your response.

Thank you, Mr. Chairman.

Mr. Traxler. Mr. McHugh.

FUTURE OF HOUSING PROGRAMS

Mr. McHugh. Thank you, Mr. Chairman.

As you remember, we had some problems in New York with the farmers home rural housing programs. We met on that a number of times. Finally in 1985, with the help of your office, I think the situation in New York was vastly improved. We found the Farmers Home offices were putting the housing programs at near the top, if not the top, of their priority list. People who were interested in these programs were much encouraged by what appeared to be a renewed commitment to seeing the money getting spent which was appropriated. We were pleased with that, and I want to thank you for your help in getting that program back on track.

I must say now, as you can imagine, people are discouraged again. Although there is still a demand in many parts of our state for housing funds, the offices are essentially out of business. There is no money.

I would like to be clear in my own mind as to what the administration is about here. I want to know what the intent and purpose are of your policies.

First of all, with respect to Fiscal Year 1986, there is a request to defer about $700 million. For fiscal 1987, there is a proposal in the budget to terminate the program entirely. This committee has recommended overturning the deferral in the supplemental appropriations bill, and no one knows at this point what the fate of that will be.

But my question is what is the intent of the administration with respect to the deferred money? We cut 40 percent from our bill at the end of last year in an effort to help with the deficit problem. Forty percent of the money was cut in Farmers Home for the housing programs. We think that represents a significant sacrifice in an effort to do our part to meet the deficit problem. After that, the administration seeks to defer an additional $700 million. What is the plan of the administration with respect to that money? Does it really intend to obligate this money at any time? Obviously, many of us are quite skeptical about that.

Mr. NAYLOR. Depending on the action of farmers, we will make every good faith effort to fully utilize the funds.

To answer your question on the policy issue, in the past year after Congress passed the Gramm-Rudman Act, the Executive Branch was obliged to take a finite amount out of resources and allocate them where they were most needed and could be most effectively used.

The decision and recommendation of the Department was that the current economic conditions of the agriculture community were such that those resources should most fully be allocated to producers in one form or another, and that is the result that was accepted by the Office of Management and Budget. As reflected in the 1987 budget, we have recommended moving all of our eggs into the agricultural lending basket with regard to what resources we do have available.

Congress obviously has the opportunity to reallocate the eggs in that basket, but there are just so many there. If we are going to follow the instructions that have been passed by the Congress of the United States with respect to this deficit reduction decision, those are the decisions we will have to make, and Congress obviously has the opportunity to modify them.

HOUSING PROGRAM DEFERRAL

Mr. McHUGH. The chairman is asking me to ask you when are you going to release the $700 million? As I understand it, you have asked to defer that money and this committee has voted to disapprove the deferral and the supplemental in which that is found is pending.

Am I correct in concluding from your statement that if Congress passes the supplemental and it is signed, the administration will move quickly to use the $700 million, the deferral having been disapproved?

Let's set aside the supplemental for the moment. When would the administration use the $700 million, assuming Congress does not act on a supplemental or disapprove the deferral?

Mr. **Traxler**. I thank you for yielding. I would remind my colleague deferral is good for one year under the statute.

Mr. **McHugh**. But next year the administration has proposed to terminate the program entirely. That is why I am asking the question.

Mr. **Traxler**. I am curious myself as to how they are going to follow the line.

Mr. **Naylor**. We have proposed the transfer of the program and elimination of the program as an overall reduction of resources. If Congress approves that, we will follow what has been the action of the Congress with regard to the budget under Gramm-Rudman. If the deferral is turned down and the President signs it, we will in good faith move those funds.

Typically, as you know, Mr. McHugh, in farm states, the bulk of housing loans are usually done during the summer months. That certainly continues to be the case around the country, particularly in those states that have a high degree of agricultural activity during the spring months. We will carry out our responsibilities in accordance with the law depending on the action of the Congress and the President.

Mr. **McHugh**. Are you saying if Congress does not act on the deferral that you will use the money that has been deferred in the next fiscal year for this program? That is what a deferral is, as Mr. Traxler has said.

Mr. **Traxler**. I don't want to help the witness. I want to thank my colleague for pointing out that the law is the money becomes available at the end of the fiscal year, in the absence of any action by the Congress.

So what are you going to do with $700 million come October first?

Mr. **Naylor**. I am quite sure we will make appropriate recommendations to the Congress with regard to that action. We clearly intend, in order to meet Gramm-Rudman requirements, to concentrate our dollars in the agricultural lending area.

Mr. **Traxler**. We appreciate that. Go ahead.

Mr. **McHugh**. Obviously the suspicion. is that you really do not want to spend the money. You have said that in effect you do not want to spend the money in rural housing. You would like to see the priorities emphasized elsewhere and normally you would have asked for a rescission.

In fact, we heard that you were going to ask for a rescission. But the problem for you from that perspective is that the law says that a rescission does not take effect until Congress approves the rescission request. Therefore, the money would have to be spent this fiscal year. You do not want to spend the money this fiscal year. So, you ask for a deferral to get it over into the next fiscal year and you will then find a way not to spend it. As Mr. Traxler indicated, you have to spend it under deferral procedures.

I do not mean to burden you further with an argument, but this does not help the relationship between the administration and this committee. We understand you have different priorities and you want to proceed in a different way. That is fair enough. But there is a certain gamesmanship that seems to be involved in this. I think that is unfortunate in terms of our relationship with the department. I will leave it at that.

Before my time completely expires, I would like to ask about another area, a smaller problem, but one nonetheless which the Congress has supported. To my knowledge, there has been no action. This is the housing preservation grant program. My recollection is in Fiscal Year 1984 Congress appropriated a supplemental $20 million to implement this program which was authorized. That $20 million has been carried over now into Fiscal Year 1986. To my knowledge, not a dime has been spent. Why is this not illegal impoundment?

HOUSING PRESERVATION GRANTS

Mr. **Clark**. We are in the middle of putting regulations together on preservation grants. We expect to go to OMB and Congress for their concurrence the end of this month, so we are hopefully on top of it. After their clearances, they will be published in the Federal Register and we think applicants can then prepare their applications for funding. We have $19 million plus to go ahead on that program.

Mr. **McHugh**. Is it the intent of the administration to spend the housing preservation grant money this year?

Mr. **Clark**. If OMB gives us the green light, we are ready to do it.

Mr. **McHugh**. Why isn't it impoundment if in Fiscal 1984 Congress appropriated $20 million to spend on this program and it is now Fiscal Year 1986 and nothing has been spent? Why is that not illegal impoundment? If you can do that with this program, couldn't any administration do it with any program?

Your administration has chosen not to promulgate regulations so you have not spent the money. We have appropriated that money for three fiscal years. That is not a lot of money and it is not a big program. But, in principle, this is the kind of thing that makes members of this committee and certainly me very skeptical about whether we can deal with this administration in a straightforward way. I can understand that you may not like the program, but this is the Congress of the United States and we appropriated the money three years ago. What is going on? I know you have not been there.

Mr. **Clark**. All I can do is assure you we are going to do it.

Mr. **McHugh**. I want to see that money spent this year. It is certainly late. But, it will certainly help the relationship between the two branches of the government in this instance at least if we spend it in the last of the three years we are talking about.

Mr. **Traxler**. Mr. Watkins.

Mr. **Watkins**. I won't belabor the subject again. I think without question some of you know I am a true believer in rural America and this budget proposed by the administration is a total disaster. It saddens me to think that our United States Department of Agriculture has so little interest in the rural areas and rural main streets in trying to help them survive as well as trying to help provide jobs.

Mr. Naylor, you have indicated because Congress passed Gramm-Rudman, the administration also endorsed and pushed Gramm-Rudman. The President's proposal was a worse disaster for rural America than even Gramm-Rudman has ended up being. I think as my colleague said awhile ago, trying to point fingers back and forth I don't think gets us anywhere. I think we might as well say our priority is not there.

I have a specific question and my good friend from Hawaii here brought it up. Farmers Home is proposing to transfer the housing program to HUD and also using HUD vouchers. Can you tell me how you propose to do that?

HOUSING PROGRAMS TRANSFERRED TO HUD

Mr. **Naylor**. Mr. Watkins, I will be glad to have the Department of Housing and Urban Development review their overall program with you. I do not have that information with me today.

Mr. **Watkins**. Are you concerned about what will happen to housing in rural America if it goes under HUD?

Mr. **Naylor**. Mr. Watkins, I think we will continue to see the funds available for housing, and even as the financial institutions change, funds will become available.

Mr. **Watkins**. Do you know how HUD works out financing for their housing?

Mr. **Naylor**. No, I do not.

Mr. **Watkins**. They use mortgage bankers. Do you know how many mortgage bankers I have in my district?

Mr. **Naylor**. I know the ability to deliver in those areas is changing dramatically.

Again, I don't mean to point back and forth but the single biggest burden that farmers tell us about today is the inability of the government to keep its budget in order. We passed and we endorsed Gramm-Rudman and, in doing so, we made a commitment that we had a finite amount of resources to live within and we would allocate them to the best of our ability. The management of the Department of Agriculture has done that. The Congress has the opportunity to disagree with us.

Mr. **Watkins**. I disagreed in 1981.

Mr. **Naylor**. You are asking us to take it away from someone else.

RURAL WATER CIRCUIT RIDER PROGRAM

Mr. **Watkins**. I think we are spending too much on the military and the big tax cuts. The last budget deficit was $58 billion. Now we have $200 billion and we have appropriated less money than the President required. We can get all these figures and go different ways, but I think we have to look at the way we are going.

I have a deep concern for housing in the rural areas. I have a number of in-depth questions that I won't burden you with right now because they get down to a lot of internal department activity. I do want to ask a question about the rural water circuit rider. The rural water circuit rider technical assistance program has been very effective in many areas throughout the country, and I am familiar with it in Oklahoma. I wonder if the administration provided for the continued funding of this program this year?

Mr. CLARK. Yes, they have, Mr. Watkins. We provided $1.9 million for the program. It is good technical assistance, and it has proved very worthwhile. We want to go forward with it and we are ready.

Mr. WATKINS. I have some people who don't have running water.

RURAL WATER CIRCUIT RIDER

The FmHA Circuit Rider technical assistance program has been very effective in Oklahoma. Has the Administration provided for the continued funding of the program this year? If not, why not?

Mr. Clark. Yes, we have a contract with the National Rural Water Association that will continue the circuit rider program through the end of fiscal year 1986.

RURAL RENTAL ASSISTANCE

Mr. Watkins. As your know, FmHA has two categories of rental assistance to help very-low income persons. The first category is used to renew existing units and the second category is limited to new Section 515 rental projects. Considering the economy of Oklahoma and other States with a depressed economy, there is increasingly becoming a problem to keeping projects rented in these economic depressed areas that were constructed immediately prior to the downswing in the economy. The implications are that in these specified pockets or areas is that the owner is forced into foreclosure and FmHA ends up with a unit in inventory. In fact, it is happening.

Does FmHA have a need for discretionary rental assistance units for these projects that are now considered existing units, not qualified for rental assistance; may not be older than 5 years; were economically feasible upon construction; however, are now experiencing difficulties due to a depressed economy?

Mr. Clark. Certain areas of the country have experienced local economic down-turns that have posed problems for certain FmHA rental housing projects. Discretionary servicing units as you call them would be a costly way to make a project feasible. Another answer is HUD's rental housing voucher program assuming that FmHA's project provided the best housing value to prospective renters with vouchers. We believe with the availability of rental housing vouchers, creative management, and currently authorized or future FmHA servicing actions, FmHA can handle most of the cases without resorting to costly discretionary rental assistance units.

Mr. WATKINS. Can this problem best be addressed within the monies currently allocated by establishing part of each state's allocation of new rental assistance units as discretionary units to be allocated by the State Director?

Mr. CLARK. No funding is requested by the Agency for any type of rental assistance in fiscal year 1987.

Mr. **Watkins**. In development of criteria of States eligible for participation, what qualifying factors of economic depressed rural areas would be used to determine eligibility?

Mr. **Clark**. A high vacancy rate would probably be the prime criteria for evaluating the need for rental assistance servicing units if they were to be made available. In these cases, the borrower must show that all efforts have made to rent the units and the high vacancy must be of a long and continued duration. The vacancies must be caused by significant deterioration of the community's economic climate that is beyond the control of the borrower or FmHA. We feel the Agency can address problem projects through its own servicing actions plus the availability of HUD's rental housing vouchers in rural areas.

TEMPORARY EMPLOYEES

Mr. **Watkins**. FmHA has indicated they will be hiring more than 1,000 temporary employees in 42 States to help process farm loan applications. I noted that Oklahoma would be hiring 27 temporary employees, the second most in the Nation. How were the number of temporary employees needed for each State determined?

Mr. **Clark**. The States were asked what additional resources they needed to carry out the provisions of the Farm Bill and to continue efforts to service delinquent accounts under the new Coleman-Block servicing requirements. In Oklahoma's situation, they requested an additional 27 temporary staff-years based on their analysis of the farm situation. These staff years were released to the States on March 25, 1986. In addition to the staff years, we also gave Oklahoma $18,000 more in overtime and $25,000 for additional travel.

Mr. **Watkins**. Will these 27 employees be hired immediately in Oklahoma or will that be after most loans will begin renewal in July?

Mr. **Clark**. The authority to hire is immediate. The States are well along in placing people on the rolls. We expect the States to be fully staffed within the next few weeks. Oklahoma, as of April 9, 1986, had already placed 27 people on the rolls and expects to add 10 more shortly. States are permitted to hire more people than the staff years allocated as long as the total staff years used do not exceed the staff-year ceiling. This means that at mid-year a State could add two people for one-half year which would be the equivalent of one staff year.

Mr. **Watkins**. Will you hire experienced lenders for these positions? How many are lenders and how many are clerical positions?

Mr. **Clark**. Most of the persons placed on the rolls are clerical. Some States have a cadre of retired Federal employees or other experienced people with financial backgrounds to help out with loan processing and servicing. None are lenders to our knowledge.

Mr. **Watkins**. How were additional overtime needs determined?

Mr. **Clark**. On two occasions this year, we asked the States if they needed more overtime to handle the workload. In addition to the overtime initially distributed to the States at the beginning of the fiscal year, we provided on February 14, another $1.5 million and on March 25, an additional $2.01 million. States are encouraged to request additional overtime if needed. We want to assure you and the committee that Farmers Home Administration is providing the resources needed to process loans in a timely manner and service the current level of delinquent accounts that are undergoing special analysis and review.

POSITIVE CASH FLOW

Mr. **Watkins**. How many of our borrowers are being able to show a positive cash flow in preparing for new loans?

Mr. **Clark**. On November 1, 1985, we initiated a policy which requires applicants of FmHA loans to show a positive cash flow for their farm operation before a loan would be made. Prior to that time, an existing FmHA borrower could be determined eligible for an additional FmHA loan if he was able to repay only a portion of his debt that was due. The data we have collected shows approximately 60 percent of the borrowers who received loans in 1984 and 1985 were able to achieve a positive cash flow for their farming operations. Although we have some additional servicing tools available in 1986, we expect a similar percentage of our borrowers will be able to show a positive cash flow.

Mr. **Watkins**. How many borrowers do you estimate that FmHA will not be able to service because of the inability to present a positive cash flow statement?

Mr. **Clark**. During fiscal year 1985, the Agency made subsequent insured operating loans to 45,416 of our 270,000 borrowers. If we were to make a similar number in fiscal year 1986, approximately 18,200 borrowers would fail to obtain subsequent operating loans because of their inability to project a cash flow.

Mr. **Watkins**. Have you given thought to the fact that it might be cheaper for FmHA to go ahead and make the loan, although the borrower might not be able to show a positive cash flow this year, instead of letting the land go into inventory?

Mr. **Clark**. FmHA considers, with its borrowers, a wide range of servicing activities to assist those borrowers in achieving a positive cash flow with their farming operations. These servicing activities include deferring loan installments, rescheduling or reamortizing of loan installments, making limited resource interest rate loans, subordinating FmHA's lien on a security property, and restructuring the farm business. For borrowers who cannot achieve a positive cash flow with these servicing tools, we believe that making a loan in lieu of taking the property into inventory is only delaying the inevitable.

PROPERTIES IN INVENTORY

Mr. **Watkins**. How much land, houses, and other properties does FmHA hold in inventory currently? How does that compare to the same period last year?

Mr. **Clark**. As of February 28, 1986, there were 4,050 farm properties representing 1,405,157 acres; 134 nonfarm properties representing 1,796 acres; and 15,993 single family housing properties in inventory. As of September 30, 1985, there were 3,814 farm properties representing 1,024,901 acres; 144 nonfarm properties representing 2,438 acres; and 14,934 single family housing properties in inventory.

Mr. **Watkins**. Has FmHA found after foreclosing in some cases that it has cost them more to hold the property in inventory rather than continue the loan?

Mr. **Clark**. No. It is FmHA's policy to sell inventory farms as soon as possible after it comes into inventory if it will not adversely affect the market value of farms in the area.

Mr. **Watkins**. Based on the "Intent for Adverse Action Notice", how many farm ownership and operating borrowers are expected to face foreclosure?

Mr. **Clark**. The Agency cannot predict how many delinquent and problem loans eventually will be settled through adverse action. Each borrower's financial situation will be carefully evaluated, on a case-by-case basis, using the detailed guidelines set forth in the regulations. Until that is accomplished, there can be no realistic assumptions on which to base even broad estimates. However, foreclosure is the very last action that would be taken.

Mr. **Watkins**. How many farm ownership loans for beginning farmers were made last year?

Mr. **Clark**. In fiscal year 1985, FmHA made 5,393 initial insured farm ownership loans and 429 initial guaranteed farm ownership loans. No data is available to determine if these loans were made to individuals who were beginning a farming operation or were established farm operators.

RURAL JOB DEVELOPMENT

Mr. **Watkins**. With the Office of Rural Development Policy no longer a part of USDA, where do you plan to concentrate your rural development efforts?

Mr. **Clark**. FmHA's rural development efforts and resources are concentrated on the ailing farm sector. More specifically, all of the FmHA programs are being administered to help the distressed rural economy to the maximum extent possible, primarily through loans and guarantees to farmers, rural businesses, and other rural residents.

Mr. **Watkins**. What role will FmHA play in job development?

Mr. **Clark**. FmHA has no plans for job development through the FmHA Business and Industry loan program. It has been demonstrated that adequate credit is available in the rural areas for sound job-creating projects without the aid of an FmHA loan guarantee.

Mr. **Watkins**. What does USDA plan to do in job development for displaced farmers and other rural Americans affected by the agriculture depression such as grain elevator operators, and feed and farm supply owners, etc.?

Mr. **Clark**. FmHA's rural development programs address community and economic development which is beyond our essential mission, and the critical need to control the Federal deficit at this time requires that we limit our commitment in these areas. We also expect interest rates to remain at low levels which should help rural communities finance their development needs through private sources of credit.

Mr. Traxler. Nearly last but not least, our distinguished colleague, Mr. Smith whose rating on this committee is far above his position at the table.

DETERMINATION OF INTEREST RATES

Mr. Smith. Mr. Under Secretary, Mr. Administrator, or both, interest rates have been going down and I believe last week you reduced interest rates on FmHA loans. Whose interest rates were reduced? Is it prospective? What about people who already have loans?

Mr. Clark. Those are fixed-rate loans that remain. It is the new obligations that we book today that would benefit from the lower interest rate.

Mr. Smith. What if a person had a loan two years ago and he renewed it but he is still a borrower? Is he a new borrower each year?

Mr. Clark. Usually it is a fixed maturity down the line. If it matures and he wants to refinance, he would be eligible for a reduced rate.

Mr. Naylor. If it is a new loan, he would be eligible for the new rate. He cannot have the rate changed during the term of the loan. It is a fixed rate and the rate remains until maturity. If it is an annual operating loan and he comes back in for a new loan, he gets the new rate.

Mr. Smith. So the one that got his loan in February has the old rate and the one who didn't has the new rate for one year?

Mr. Clark. As you and I would experience in buying a house.

Mr. Smith. Unfortunately, some of the banks don't give a new rate until you pay off the old loan. Some of them are still at 15 or 16 percent because they can't get the old loan paid off, but you are not operating that way.

Mr. Clark. No, we believe in the variable rate where it can move up and down, but we are not in that mode.

OPERATING LOAN ELIGIBILITY

Mr. Smith. I understand in determining eligibility for an operating loan there has been an assumption that the cost of putting in the crop this year will be ten percent higher than it was last year. Is that correct?

Mr. Clark. We did get figures from our Economic Research Service that allowed us to evaluate increased costs. The number does not stick in my mind. I apologize for that, but we do have commodity projections as well.

Mr. Smith. That renders a number of people ineligible for loans even though costs are not higher.

Mr. Clark. A county supervisor can analyze that application. If diesel costs are down and projected to stay down for the year, he can make that judgment call. He is not locked into something we send out from Washington to South Dakota or whatever state.

Mr. Smith. At what level?

Mr. Clark. At the county level.

Mr. Naylor. Mr. Smith, in evaluating the loan, they will use the Farmer and Home plan that has been in effect in the agency for a number of years. They use the actual cost for the current yearly assessment and then use projections if it is more than a one-year loan provided by our Economic Research Service. We have directed those to be made in a range rather than just a fixed number because no one has that good a crystal ball. I think what you are referring to are future years where we don't have hard numbers to abide by. Where we have current costs of diesel, we use those numbers.

Mr. SMITH. I have been told that this procedure renders a number of people ineligible because their cash flow is not sufficient to support the higher assumed cost of production. Have you not run into that problem?

Mr. NAYLOR. I suspect many have raised that question about projecting a first year deferral on what commodity prices would be five years from now. At one point, our initial information was supplied as a fixed number that did not give our local officials very much discretion. We asked the Economic Research Service to redo that and give our lending officers a range which they could use which gave them more flexibility in making the loans than they initially had, and that has been put in place.

Mr. SMITH. Costs are down in a number of areas, fuel costs are down, apparently the cost of nitrogen next year will be lower than it is now. It may even be ten cents a pound. Anyway, will you look into that?

Mr. CLARK. I will.

Mr. SMITH. I understand some people are being ruled ineligible simply because you are using a unrealistic assumed cost of production.

ECONOMIC ASSUMPTIONS

Mr. NAYLOR. We have no fixed number on the current year costs. They are the actual numbers that are there locally. When you do have a 5-year deferral, for example, and they try to project out repayment ability at the end of five years, they have to use estimates and have been using ERS numbers for those projections. Your point is well made. I suspect the numbers in the field do not reflect the most recent oil price considerations. For example, those have dropped as much as 50 percent in the last 30 to 60 days. Diesel fuel was running $1.06 six to eight weeks ago and that has gone down. We will make sure that our field people properly incorporate that.

Mr. SMITH. How do you interface an operating loan requirement with the new conservation reserve program? I understand you can fairly well determine what his probable income will be from deficiency payments from last year's crops and the deficiency payments he will get in April for the 1986 crop and that is figured into his cash flow. How do you figure in that he is going to participate or not participate in the conservation reserve program when we are still going to have an open period from May 5 to the end of May?

Mr. NAYLOR. Frankly, Mr. Smith, we can't effectively to do that. We have to base it on estimated operations and on the best information we have currently available.

Mr. SMITH. You are just assuming he won't be in the program?

Mr. Naylor. Fundamentally, that is all we can do until we have a follow-up on the open period.

Mr. Clark. We are working with ERS about that very problem.

HIGHLY ERODIBLE LAND

Mr. Smith. There is one more thing that comes to the definition of highly erodible land under the buster sod program which has not been defined. Unless they know that, a tenant that farms four or five pieces of property for other people does not know if he is going to be eligible for any benefits or not. If there is some high erodible land as defined by a sodbuster on one of those farms, he is ruled ineligible for benefits on any of the farms he farms.

Mr. Naylor. Mr. Smith, I have been participating in some discussions with Mr. Myers. Fortunately, there are not a lot of cases where the guidelines lack clarity in his area of responsibility. They are trying to get those areas resolved and the Secretary may be able to clear up any problems that exist on those few cases.

Mr. Smith. One situation where that may not be prevalent but it will not be wholly uncommon is where someone happened to have been in that part of their crop rotation cycle where the land was in hay the last five years or alfalfa for five years and that ground is determined to be highly erodible land. He can't get into the reserve and if he puts it back into normal production he will be ineligible for program benefits because of sod buster.

Mr. Naylor. I am aware of that variance and Mr. Meyers' agencies are working very aggressively to get that situation cleared up.

Mr. Smith. When did you expect that to be cleared up?

Mr. Naylor. I don't want to commit him to a date but they were hoping to get it this week or next. I think they will have the issues resolved and clarified and directions will go out to the field.

Mr. Smith. Thank you.

Mr. Traxler.

TEMPORARY EMPLOYEES TO PROCESS LOAN APPLICATIONS

Mr. Secretary, the agency has announced that it is going to hire a thousand temporary employees to help process loan applications. Is that a correct statement? Is that taking place?

Mr. Naylor. It has been directed and they are in the process of being brought onboard or are onboard. We have historically had retired people work for us from year to year. They are quickly reachable and can be put onboard on short notice.

Mr. Traxler. How did you determine you needed a thousand employees to process the loans?

Mr. Naylor. It is based on evaluations by the state directors and what their workload is and what is necessary.

Mr. Traxler. Have you allocated the additional personnel?

Mr. Clark. The one thousand temporaries, yes.

Mr. Traxler. Would you submit those allocations?

Mr. Clark. We asked the states how many they wanted. We responded and filled every request for additional help.

Mr. Traxler. My state director asked for ten?

Mr. CLARK. That is correct, and that is what he got, ten staff years. Since we are talking about staff years, 10 staff-years could be 30 people if hired for 3 months each.

Mr. TRAXLER. I was not aware of that, and I appreciate that information very much.

You are not going to be looking for a training program in this?

Mr. NAYLOR. No. They will be people who have been with us year in and year out. They were retirees and people who have worked for us in the past.

Mr. CLARK. Some have wanted the overtime, and we will meet the request in that direction.

OPERATING LOAN OBLIGATIONS

Mr. TRAXLER. I want to go to operating loans.

Our information is you are putting out about $25 million per day in operating loans.

Mr. NAYLOR. On any business day in April, that is not unusual.

Mr. TRAXLER. Using that as a norm, you should be out of operating money when, the end of the month, the first part of May?

Mr. NAYLOR. Late May if that rate held. It drops off rather markedly late April and early May.

Mr. TRAXLER. Looking at our farm operating programs, I notice the total for insured and guaranteed farm operating for the fiscal year 1985 was actually $4.7 billion. Let's move to 1986 and tell me if this sounds correct. You have $1.5 billion in the insured operating plus an additional $700 million that was recently made available by the President through some transfers.

Mr. NAYLOR. That is correct.

Mr. TRAXLER. And you have $1.66 billion in guaranteed plus the $50 million made available.

Mr. NAYLOR. That is correct.

Mr. TRAXLER. That gives you for the year 1986—what would that total be, please?

Mr. NAYLOR. Approximately four billion dollars.

Mr. TRAXLER. Compared to last year, we are down $700 million or so, is that correct, in both those categories for operating?

Mr. NAYLOR. Yes.

Mr. TRAXLER. Then in your 1987 request, what is your total there, please?

Mr. NAYLOR. Four billion dollars.

Mr. TRAXLER. That is under the proposed legislation. That is where you incorporate your emergency and real estate into farm operating; is that correct?

Mr. NAYLOR. That is correct.

Mr. TRAXLER. We are sort of getting into apples and oranges.

Mr. NAYLOR. Under current law, FmHA would provide $3.4 billion in operating funding.

LOAN PROCESSING TIME

Mr. TRAXLER. We just want the record to indicate the levels available.

The operating loan money situation, I must tell you, I am not getting good reports in my district. When I was home over Easter, I was besieged by farmers who felt the processing was slow and they were not getting applications in this one office. In the other office, I had next to no complaints, and I am sure you found this in other states as well. Like Members of Congress, there is not uniformity, and we don't all come out with AAA ratings. No one on this committee, however, would rate less than that. I am sure in your agency you find there is a variance from perhaps county office to county office and even with state directors.

In any event, I want to alert you to the fact that we have a very crucial situation in one of our counties for a reason I don't understand. They simply seem unable to cope with their workloads and process the simplest kinds of applications.

Mr. **Naylor**. I can appreciate that, and we will be delighted to work on specific questions. We have 2,300 field offices, and you will find a wide variance on the performance levels. Under those circumstances, we do everything we can to assist them quickly. We certainly will offer to work with you and all members where you find that to be the case.

Mr. **Akaka**. May I be permitted to add to my remarks?

Mr. **Traxler**. Always.

MUTUAL AND SELF HELP HOUSING

Mr. **Akaka**. Mr. Clark, I want to add some information to my remarks on mutual and self-help housing.

I want you to know that, as I mentioned, I visited this project and as of January of this year, they would have completed ten homes through the self-help process. We had also 40 people signed up on the list for additional homes. The city and county was providing 5,000-foot lots for this purpose, with option of families to purchase these lots later. The 3-bedroom homes were going for about $27,600 for a 3-bedroom home. Maybe part of the success of that project is that they had a rule that nobody moves into a home until all the homes for that group are finished. So, as a result they must all help each other until it is done. I think that has made a difference out there. As I said before, all of them did admit it is a struggle.

The other rule is that each family had to put in 32 hours of work. They may get their friends to come in, but the total has to be 32 hours which was also a help. Because of that, it progressed rather rapidly, so the next 40 people were looking in anticipation towards doing this.

Also, we had a problem at that time with what we call beach people, people who were living on the beach and the state and county was trying to get them off the beaches. Many of the 40 families are former beach people who were willing to try to build their own homes.

What I am pointing out is that, although there are problems, people are determined out there and, for that reason I am unhappy about no funds for 1987, but I want you to know that I am certainly in favor of that kind of program out there in Hawaii.

Thank you, Mr. Chairman.

Mr. **Traxler**. You are very welcome.

Mr. Watkins.

CIRCUIT RIDER PROGRAM

Mr. **Watkins**. Back to the circuit rider on rural water assistance, on page 13-91, you indicated it to be $1.9 million, but there is a language change limiting the amount for the circuit rider program. You say in order to assure the functions are carried out properly, the agency needs flexibility with regard to the contractor. I am trying to determine if I am interpreting this correctly. You are deleting that language not to exceed $1,950,000 of this appropriation available for the National Water Association or other equally qualified organizations. Can you tell me what your intent is there. You answered me awhile ago you had $1.9 million for the program.

Mr. **Clark**. I think that is a normal contracting situation, Mr. Watkins. We want to get the value for our contracting dollars. We want to be on guard that we are getting value for our contracting dollar. We want to bargain with those contractors for the circuit program to be sure we are getting value.

Mr. **Watkins**. Let me assure you most of the people in the district offices do dicker quite a bit with appraisals on a lot of things. You all get a bargain on housing A lot of times I built houses under your program but, in the end, I didn't have any profit. I was quite concerned about that because rural water is still one of the most valuable things we have to have in the rural areas, and we are not through yet in getting the programs done.

Thank you, Mr. Chairman.

STANDISH OFFICE

Mr. **Traxler**. I have a particular situation in my district where farmers are facing problem after problem with a county office. This particular office failed to have a county director for some time. The one who is there advises my office that it takes one entire day to get a single application ready for review by the Credit Committee. I have heard recently from a large number of farmers who filed their applications in January for disaster loans and limited resource loans, and they still haven't received an answer. I have had another case in which a farmer filed an application 2 months ago, only to have the county office lose it! Now they want him to fill out another one and wait in line again!

I've had another situation in which there are farmers who are being told that their loans will not cash flow, even though all the records the farmer has says that it will.

What assurances are you prepared to give me today that this county office will receive the staffing it needs to clean up the backlog, and that the kind of problems I'm describing will be solved?

Mr. **Clark**. We have been informed by the Michigan State Director, Mr. Calvin Lutz, that he has recently discussed the personnel problems in the Standish County Office with your aide in Michigan. The State Director has taken action to correct the county office deficiencies by detailing supervisory personnel to the Standish Office. They are confident the backlog of loan applications will be processed within the next 4 weeks.

Our information indicates all applications are accounted for in the Standish Office.

AVAILABILITY OF FUNDS

Mr. **Traxler**. You announced the availability of $750 million for farm operating loans after this committee pointed out that you were spending a billion less than appropriated. Farmers in my district are still hearing that there isn't enough money available to meet loan demands. Where did this $750 million go, and how did you decide where to put it? Please provide a list by State.

Mr. **Clark**. Under the Secretary's interchange authority, $700 million was transferred from the insured emergency loan authority to the insured operating loan authority and $50 million was transferred from the guaranteed business and industry authority to the guaranteed operating loan authority.

The additional funds have been placed into the FmHA National Office reserve to allow for daily management of these funds by the Administrator. Due to limited funding, a nationwide distribution of the funds was not made. Our current procedure can take into consideration the specific and unique needs of the States related to guaranteed loan obligations and the application activity for direct funds of each State. We shall submit a table showing the amounts approved by the Administrator for each State.

[The information follows:]

Amount of funds approved by the Administrator as of April 9, 1986, by State:

State	Insured	Guaranteed
Alabama	$8,863,870	
Arkansas	29,000,000	
California	5,653,200	
Colorado	6,878,460	
Georgia	17,971,410	
Idaho	8,517,830	
Illinois	6,976,340	
Indiana	3,183,740	
Iowa	44,929,000	
Kansas	8,240,205	
Kentucky	9,193,700	
Louisiana	38,000,000	$14,340,500
Maine	5,116,000	
Minnesota	42,000,000	
Mississippi	23,834,700	
Missouri	3,702,580	
Montana	407,640	
Nebraska	30,663,000	31,344,769
New Mexico	1,545,065	
North Dakota	30,000,000	
Oregon	5,269,040	
South Carolina	8,317,380	
Tennessee	20,205,000	
Texas	56,042,120	
Utah	1,897,520	
Washington	7,560,400	
Wyoming	525,750	3,110,540
Totals	424,493,950	48,795,809

Mr. **Traxler**. I have also had a number of complaints from people who have had either farm ownership or housing loans approved, only to find that there is no money available to finance the loan. With one particular case, this farmer is number 8 on the approved list, and the State Director tells me that there won't be enough money to fund the loan this year. How can you allow such situations to happen, whether it is a farm loan or a housing loan? Do you think sellers will wait forever?

Mr. **Clark.** Upon receipt of a housing application, FmHA proceeds to process the application to the point of eligibility. The Equal Credit Opportunity Act mandates a written notification of eligibility determination within 30 days of the receipt of an application for financial assistance. Government agencies are not exempt from this requirement. FmHA, however, was given special consideration under this provision in that a written notice of "probable eligibility" within 30 days of the receipt of application is permitted when processing cannot be pursued in a timely manner due to a backlog of applications or lack of funds.

The eligibility determination procedure is often misunderstood for loan approval. Loan approval follows the eligibility determination as soon as funds are available for further processing of a particular application. Rural housing applications are processed for funding in the order received according to established categories.

RELATIONSHIPS WITH FARM CREDIT SYSTEM

Mr. **Traxler.** You say that you will approve only loans that will cash flow. This apparently also applies to your guarantees of existing loans. People from the Farm Credit System tell me that they don't need guarantees for the loans that can cash flow. They need the guarantee for the marginal operator who needs a little breathing room until better days come.

Mr. Naylor, you've been nominated to take over as governor of the Farm Credit System. Don't you want to resolve this problem before you change jobs so that FmHA can't be held accountable for failing to provide available assistance that might help ease the problems faced by this other agricultural lender?

Mr. **Naylor.** All applicants for insured and guaranteed loans must show that the farming operation can make the scheduled payments on all debt obligations.

The Farm Credit System has established credit standards, in addition to the cash flow requirement, which a farmer or a rancher must meet to qualify for a loan. When a farmer or rancher must meet to qualify for a loan. When a farmer or rancher cannot meet one or more of these credit standards, the use of the FmHA guarantee program may be necessary. The Farm Credit System is utilizing the FmHA guaranteed program and anticipates participation in the program will grow substantially.

UPDATE ON OPERATING LOAN SITUATION

Mr. **Traxler.** I think the chairman indicated it would be appropriate at a later time to have you back for an update on precisely what is happening in the operating loan situation. I am sure the committee will be in contact with you on that. I do want to say you have a serious crisis in terms of operating monies. In the absence of those monies, some farmers see a little light at the end of the tunnel but, in the absence of the money, they will be out of production this year. They won't be planting. I hope you can get all of your money out in a timely fashion. We may disagree whether it is enough or whether your policies are too strict. I am not the policy maker. Maybe there is some faceless, nameless person making policies and maybe you have different policies also. In any event, we may reconvene if we need to get back together again. Thank you.

VANCE L. CLARK

Vance L. Clark, a veteran banker with extensive experience in agricultural credit, was nominated by President Reagan on July 12 to be administrator of the Farmers Home Administration, principal credit agency of the U.S. Department of Agriculture.

During his professional career, Clark spent 42 years with the Bank of America. Upon his retirement in 1983, he was regional senior vice president with offices in Fresno and overall responsibility for the bank's operations in the San Joaquin Valley through 104 branches with 3,200 employees.

Clark was born Sept. 17, 1923, in St. Paul, Neb., where he grew up and attended Nebraska Business College. Upon graduation in 1941, he joined the Bank of America in its Los Angeles district. He served in a number of the bank's offices while advancing up the career ladder and serving the credit needs of California's diverse agriculturalcommunity, as well as other clients.

He served in the Pacific campaign as a member of the Marine Corps from 1943 to 1946, and was called back to active duty in 1950 during the Korean conflict.

His education includes graduation from the University of California at Los Angeles Graduate School of Business Executive Development, the Pomona College executive program, the Brookings Institution government operations conference, and courses in such fields as farm management and financing and crop production at the University of California Davis and California Polytechnic Institute. Clark holds an honorary juris doctor degree from the San Joaquin Valley College of Law which was conferred in 1981.

Business and professional memberships have included the California Student Aid Commission, the boards of the Bank of America's Livestock Symposium (an educational outreach forum) and the Producers Cotton Oil Company, and the Business Advisory Council to Public Television and Channel 18 Fresno. Clark has served as president of the Fresno County and City Chamber of Commerce, chairman of the Business Advisory Council to the School of Business and Administrative Sciences, University of California Fresno, and board chairman of the trustees of the San Joaquin College of Law.

Clark and his wife have three sons and six grandchildren.

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FARMERS HOME ADMINISTRATION
STATEMENT OF
VANCE L. CLARK, ADMINISTRATOR
Before the
HOUSE SUBCOMMITTEE ON AGRICULTURE,
RURAL DEVELOPMENT AND RELATED AGENCIES

Mr. Chairman and Members of the Committee, we appreciate the opportunity to be with you today to discuss the budget for the 1987 fiscal year. As you are aware, 1985 marked the 50th anniversary of FmHA and its predecessor agencies. The present and former agencies, under whatever names, have been assigned a wide variety of tasks over the years relating to farming and other aspects of rural and small town America. Some programs were dropped over the years, having lived out their usefulness, and others were added.

For that half-century, Mr. Chairman, the record shows more than 9.6 million loans and grants totaling almost $134 billion. The largest share of that assistance, approximately one-half the total, went to farmers: 4.4 million loans and grants totaling $63 billion. We closed out the 1985 fiscal year with a portfolio of almost 2 million loans and grants approaching $70 billion.

When you compare the current portfolio with the all-time totals, it becomes obvious that the greatest degree of growth has come in recent, rather than the early years.

Last year's farm operating loans, for example, totaled $4.7 billion, by far the most funds ever committed by the agency to that one program. Farm loans accounted for almost $6 billion of the $9.5 billion obligated in farm, housing and community programs. Of particular interest is the fact that guaranteed farm loans, both operating and ownership, exceeded $1 billion for the first time. That represents a concerted effort by the administration to encourage the private, commercial credit industry to extend its services to the agriculural community, with the Government acting as guarantor in those cases where necessary to enable a good farmer to continue in operation.

As we all know, Mr. Chairman, most things change over time, including our needs and our perception of those needs. Today, we are in a period of budget austerity with widespread public support to get our fiscal house in order, while at the same time retaining certain essential services. In line with this, we are requesting, for the fiscal year 1987, a total budget of just under $4.6 billion, including $382.6 million for administrative expenses. That may not seem like an austere budget to some, but we believe it meets the President's goals of a balanced budget achieved through reduced Federal spending and less public reliance on the Government for those services best provided through the private sector.

Nevertheless, this amount will provide a substantial amount for the farm operating loan program -- $1.5 billion in direct loans and $2.5 billion in guaranteed loans. This is a noticeable increase over the $3.2 billion budgeted for operating loans this year and reflects the Administration's concern that adequate operating credit be available to our Nation's farmers. In addition, we expect to utilize $185 million for the interest buy-down program in conjunction with our guaranteed loans. This program was enacted by the 1985 Farm Bill for a 3-year period, beginning in FY 1986.

These levels will provide for more than 50,000 farm operating loans in FY 1987, which is an increase of about 5,000 loans over the FY 1986 current program estimate. This represents a substantial increase after inflation in this critical credit need.

Taking into consideration the deficit situation and the expense of increasing the Federal debt, we are proposing legislation to terminate the farm ownership loan program and the other, smaller farm real estate loan programs.

Our budget request for the Agricultural Credit Insurance Fund also includes $2,440,203,000 to reimburse the Fund for interest subsidies and losses of prior years.

No funds are requested for the housing and community programs, which we propose be terminated. However, in the Rural Housing Insurance Fund for FY 1987, the budget request includes $2,714,566,000 for interest subsidies and losses from prior years and authority to carry out rental assistance contracts obligated in previous years.

Similarly, the budget includes $736,619,000 for the Rural Development Insurance Fund for interest subsidies and losses of prior years. In the future, housing assistance for rural areas will be obtained through the Department of Housing and Urban Development. Federal assistance for water and sewer projects and other community development projects will be part of the community development block grants administered by the Department of Housing and Urban Development and waste water construction grants administered by the Environmental Protection Agency.

For salaries and expenses, the budget request includes $382,639,000. This level, added to the amounts transferred from the revolving funds for necessary administrative expenses, will provide for an employment ceiling level of 11,000 staff years. Although this is below the levels of recent years, the termination of loan making in several programs will allow us to concentrate our staff efforts on farm operating loan making and servicing of the nearly $70 billion portfolio. We expect these concentrated efforts to result in more operational stability for our relatively low income borrowers and enhanced loan servicing throughout our portfolio.

In addition, we are continuing our major project to modernize our communications, recordkeeping and accounting functions. We expect to bring on-line our first multifunction work stations this year and to virtually complete this conversion by the close of FY 1987. We expect to see substantial benefits of this more up-to-date technology in the near term.

Mr. Chairman, this completes the highlights of the Budget proposals. As in the past, we have a brief history of the Agency which includes additional statistical data, that we would like to give you for the record, if you like. We appreciate the support of this Committee and will attempt to answer any questions you might have of us.

FARMERS HOME ADMINISTRATION

Purpose Statement

The Farmers Home Administration (FmHA) was established November 1, 1946, by the Farmers Home Administration Act of 1946. Farmers Home Administration's program activities include:

FARMER PROGRAMS:

Farm ownership loans - are made to borrowers who are or will be owner operators of a not larger than family size farm and who cannot obtain credit elsewhere to improve or acquire farms, refinance debts, finance non-farm enterprises or make additions to farms. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than 5 percent per year and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The applicable interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower.

Operating loans - provide short-to-intermediate term production or chattel credit to farmers who are or will be the operator of a not larger than family size farm and who cannot obtain credit elsewhere. Loan terms include a repayment period not to exceed 7 years but may be rescheduled for up to 15 additional years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest at a rate 3 percent below the cost-of-money and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes., The interest rate for guaranteed loans is negotiated by the lender and borrower.

Emergency disaster loans - are made to farmers in counties declared as emergency disaster areas or in contiguous counties to restore production. A farmer who cannot get credit elsewhere is eligible for an actual loss loan of up to $500,000 per disaster at an interest rate of 5 percent for the first $100,000 borrowed. Amounts above $100,000, up to the limit of $500,000, will be subject to an interest rate of 8 percent. Credit-worthy borrowers can obtain an actual loss loan up to $500,000 per disaster but at an interest rate based on the rates prevailing in the private market for similar type loans.

Soil and water loans - are made to farmers, ranchers and non-operator owners for land and water development, use and conservation. Loans are repayable in not more than 40 years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Indian tribe land acquisition loans - are made to qualified Indian tribes or tribal corporations to acquire land or interest in land within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior. The interest rate is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government except that those tribes that are unable to pay the higher rate currently may be charged a lower interest rate. Loans are repayable in not more than 40 years.

HOUSING PROGRAMS:

Section 502 - Subsidized housing loans - are made to repair or purchase new or existing housing in order to provide low-income rural residents who cannot obtain credit elsewhere, modest, safe, and sanitary single family dwellings at rates and terms they are able to afford. Low-income families meeting certain criteria may qualify for interest credit to reduce the effective interest rate for the borrower to as low as 1 percent. Loans are repayable normally over a 33-year period and 38 years under certain conditions. Not less than 40 percent of the funds approved are to be set aside for very low-income families or persons and not less than 30 percent of the funds allocated to each State shall be available for very low-income families or persons.

Section 502 - Nonsubsidized housing loans - there are no funds available for new borrowers to purchase new or existing housing; however, loans may be made to pay equity and make repairs in connection with transfers, repairs and renovation to existing borrower dwellings and repairs to suitable inventory dwellings in connection with a credit sale. This credit is made available to those who cannot get credit elsewhere. The interest rate charged the borrower is based on Treasury's cost-of-money and the term for repayment is normally 33 years.

Section 515 - Rural rental and cooperative housing loans - are made to individuals, corporations, associations, state or local public agencies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low or moderate income in rural areas. These loans are repayable in not more than 50 years, and the interest rate to the borrower is based on Treasury's cost-of-money with provisions for interest reductions under certain circumstances. These loans, with the exception of loans to state or local public agencies, are made only if the need for necessary housing cannot be met with financial assistance from other sources.

Section 521 - Rural rental assistance payments - are made to owners of rental projects in order to make housing affordable to low-income occupants at rates commensurate to their incomes. Rental rates are not to exceed the highest of (1) 30 percent of the monthly adjusted income, (2) 10 percent of monthly income, or (3) the portion of the welfare assistance payments specifically designated for housing costs in the case of a person or a family receiving such assistance.

Section 504 - Very low-income housing repair grants - carry a lifetime assistance limitation by the Secretary of up to $5,000. Grants are made to very low-income persons who are 62 years of age or older, or who are handicapped or disabled and unable to repay a loan. Grants are made to make necessary repairs to their dwellings in order to make them safe and remove health hazards to the families or the community.

Section 504 - Very low-income housing repair loans - carry a lifetime assistance limit for loans or combination of loans and grants of not to exceed $7,500. Loans are made at a 1 percent interest rate for not more than 20 years to very low-income persons who are 62 years of age or older, or who are handicapped or disabled and are owners of farms or non-farm rural property to repair or improve their dwellings in order to make them safe and sanitary or to remove health hazards to the families or the community.

Section 514 - Rural housing for domestic farm labor loans - are made to farm owners, to public or private non-profit organizations, or to nonprofit organizations of farmworkers to provide modest living quarters, basic household furnishings, and related facilities. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent except under certain circumstances when the interest rate limitation may be waived by the Secretary in order to provide housing and related facilities for migrant domestic farm laborers. Loans to organizations may be made simultaneously with farm labor housing grants and are made only if the necessary housing cannot be provided with financial assistance from other sources.

Section 516 - Rural housing for domestic farm labor grants - are made to public or broad-based private nonprofit organizations, states or political subdivisions, or nonprofit organizations of domestic farmworkers. Grant assistance, not to exceed 90 percent of the total development costs, is provided for new construction or rehabilitation of existing buildings suitable for dwelling use by domestic farm labor. Funds also may be used for essential related facilities such as dining halls, community rooms or buildings, infirmaries or other essential services, including basic household furnishings. These grants may be made simultaneously with domestic farm labor housing loans. No new funding is available in FY 1986.

Section 524 - Rural housing site loans - are made for purchase and development of land to be subdivided into building sites and sold on a nonprofit basis to low and moderate income families or to organizations for rental or cooperative housing. Insured loans are made at an interest rate based on Treasury's cost-of-money for a 2-year period.

Section 523 - Mutual and self-help housing grants - are especially designed to aid the development of mutual or self-help housing programs under which groups of families build their own homes by mutually exchanging labor. Grants are used to provide technical and supervisory assistance to families who build their homes by the self-help method.

Section 509 - Compensation for construction defects - payments are made to eligible Section 502 borrowers to pay for making structural repairs on newly constructed dwellings built or purchased as approved by the Agency. The assistance must be requested by the owner of the property within 18 months after the loan is closed or final construction inspection is made. The builder would continue to bear primary responsibility under his contract to assure that the dwelling meets acceptable standards.

Section 533 - Housing preservation grants - are made to eligible private groups, Indian tribes, or government agencies for the rehabilitation of single family housing owned by low- and very low-income families, the rehabilitation of rental and cooperative housing for low- and very low-income families, and to provide assistance payments as provided by Section 8 of the Housing Act of 1937 to minimize the displacement of very low-income tenants residing in units rehabilitated under the grant program.

COMMUNITY PROGRAMS:

Community facility loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate, one-half the difference between 5 percent and the market rate, added to the poverty rate, applies when the median household income of the service area is below the poverty line or not more than 85 percent of the nonmetropolitan median household income of the State. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites.

Water and waste disposal loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes for development, replacement or up-grading of water systems and waste disposal systems. These loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term municipal interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income of the service area falls below the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate, one-half the difference between 5 percent and the market rate, added to the poverty rate, applies when the median household income of the service area is below the poverty line or not more than 85 percent of the nonmetropolitan median household income of the State.

Water and waste disposal grants - are authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for the development, storage, treatment, purification, and distribution of water or the collection, treatment, or disposal of waste in rural areas. Grants are used for water and waste disposal projects servicing the most financially needy communities to reduce user costs to a reasonable level for farmers, ranchers, and other rural residents. Grants may only be made to communities that have a median household income below the poverty line or are not more than 85 percent of the State's nonmetropolitan median household income. Grants may not exceed 75 percent of the development costs of the project and supplement other funds borrowed or furnished by applicants for development costs.

Business and industrial loans - are guaranteed loans authorized to be made to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities. These guaranteed loans are made at rates agreed upon by the borrower and lender with a maturity of 7, 15, or 30 years depending on the collateral offered, and a maximum of $10 million ($20 million for alcohol fuels production loans) per loan.

Watershed works of improvement and flood prevention loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for installing, repairing, or improving watersheds and water storage facilities, purchasing sites or rights-of-way, and for related costs. These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. Total loans outstanding on any one project may not exceed $10 million.

Resource conservation and development loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for planned conservation measures and works of improvement as specified in approved work plans. These loans are repayable in not more than 30 years, at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

Other rural development grants - are provided from funds transferred from the Appalachian Regional Commission and other Federal organizations for cooperative efforts in rural development. The funded projects focus on basic needed facilities essential to the region's growth and economic development.

General - In fiscal year 1986, the budgeted lending programs will be comprised of insured and guaranteed loans. The term "insured" is defined as loans made from the revolving funds, which are held in a pool as security for certificates of beneficial ownership that are sold to investors. Presently, all certificates of beneficial ownership are being sold to the Federal Financing Bank. The purchaser's investment is fully insured by the Government against any loss of either principal or interest. Generally, no insured loan is made to anyone who can secure adequate credit from other sources at reasonable rates and terms. The Rural Development Act of 1972 authorized financial assistance to be provided to borrowers by guaranteeing loans made by a Federal or State chartered bank, savings and loan association, cooperative lending agency, or approved lending institution.

The term "guarantee" is defined as "to guarantee the payment of a loss on a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary." Technical guidance in planning and carrying out sound operations is provided to borrowers on the basis of their individual problems and needs.

As of September 30, 1985, FmHA's portfolio was in excess of 1.9 million loans with principal indebtedness of more than $65 billion. FmHA administers its programs through the Washington Headquarters, 46 State Offices, a National Finance Office in St. Louis, Missouri, and approximately 2,300 district and county offices utilizing the services of about 3,000 supervisors and 5,000 local committeemen. As of September 30, 1985, there were 15,175 FmHA employees, of which 10,990 were full-time employees in permanent positions. Of these, 475 PFT and 32 others were based in Washington and 10,515 PFT and 4,153 others were in the field.

Available Funds and Staff Years, 1985 and Estimated 1986 and 1987

(Note: The following table reflects obligations under revolving funds, appropriations, and transfers from other agencies.)

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Farmers Home Administration						
Rural Housing insurance fund:						
Reimbursement for interest subsidies and losses	1,843,927,000	--	1,832,863,000	--	2,714,556,000	--
Rural rental assistance reimbursement	103,809,874	--	163,420,000	--	151,868,000	--
Subtotal, rural housing insurance fund	1,947,736,874	--	1,996,283,000	--	j/ 2,866,434,000	--
Agricultural credit insurance fund:						
Reimbursement for interest subsidies and losses	1,089,943,000	--	1,083,403,000	--	j/ 2,440,203,000	--
Rural development insurance fund:						
Reimbursement for interest subsidies and losses	560,005,000	--	556,645,000	--	j/ 736,619,000	--
Rural water and waste disposal grants	a/ 115,000,000	--	b/ 114,310,000	--	--	--
Rural community fire protection grants	3,250,000	--	3,230,000	--	--	--
Rural Housing for Domestic Farm Labor	c/ --	--	d/ 9,940,000	--	--	--
Mutual and self-help housing grants	e/ 8,000,000	--	f/ 7,952,000	--	--	--
Very low income housing repair grants	12,500,000	--	12,425,000	--	--	--
Rural rental assistance program	g/ 52,250,000	--	--	--	--	--
Compensation for construction defects	1,000,000	--	745,000	--	--	--
Rural housing preservation grants	h/ 5,000,000	--	i/ 20,000,000	--	--	--
Salaries and Expenses:						
Direct appropriation	352,297,000	10,921	373,945,000	10,715	382,639,000	10,038
Transfer from ACIF	1,000,000		1,000,000		1,000,000	
Transfer from ACIF and RHIF	--		3,000,000		3,000,000	
Subtotal, salaries and expenses	353,297,000	10,921	377,945,000	10,715	386,639,000	10,038
Total	4,147,981,874	10,921	4,182,878,000	10,715	6,429,895,000	10,038

Available Funds and Staff Years, 1985 and Estimated 1986 and 1987-Continued

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Other obligations under Farmers Home Administration accounts:						
Agricultural credit insurance fund (emergency loan programs administrative funds)	$61,174,000	1,613	$71,269,000	2,175	$44,365,000	1,374
Obligations under other USDA appropriations:						
Soil Conservation Service:						
Watershed protection & flood prevention..........	590,000	21	522,000	18	--	--
Resource conservation and development	141,000	5	119,000	4	--	--
Total, Soil Conservation Service..................	731,000	26	641,000	22	--	--
Miscellaneous reimbursements:						
Agricultural Service Centers.....................	484,992	--	529,000	--	529,000	--
Office of Information Resources Management........	4,850	--	5,000	--	5,000	--
Total, Agricultural Appropriations.............	4,210,376,716	12,560	4,255,322,000	12,912	6,474,794,000	11,412
Other Federal Funds:						
Other program funds from Federal sources:						
Appalachia Regional Development Program Grants.......	9,948,847	--	15,000,000	--	--	--
Total, other program funds..................	9,948,847	--	15,000,000	--	--	--
Other administrative funds from Federal sources:						
Appalachia Regional Conservation Program and Economic Development Administration.........................	104,271	3	65,000	2	65,000	2
Sales of Property through GSA	5,562	--	6,000	--	6,000	--
Miscellaneous Receipts (health clinic, jury duty, etc,)....	25,431	--	30,000	--	30,000	--
Total, other administrative funds.............	135,264	3	101,000	2	101,000	2
Total, other funds.......	10,084,111	3	15,101,000	2	101,000	2
Total, Farmers Home Administration..........	4,220,460,827	12,563	4,270,423,000	12,914	6,474,895,000	11,414

Available Funds and Staff Years, 1985 and Estimated 1986 and 1987 - Continued

	1985 Actual	1986 Estimated	1987 Estimated
Full time Equivalent Staff-Years:			
Ceiling..................	12,118	12,400	11,000
Non Ceiling	445	514	414
Total..................	12,563	12,914	11,414

a/ In addition, $2,435,290 of recoveries and unobligated balances from prior year appropriations was available in 1985.

b/ In addition, $2,327,345 of unobligated balances is available in 1986.

c/ Recoveries of prior year obligations and unobligated balances totaling $12,387,321 was available in FY 1985.

d/ In addition, $1,253,756 will be made available from unobligated balances and recoveries.

e/ In addition, $5,115,216 of unobligated balances and $202,198 of recoveries was available in FY 1985.

f/ In addition, $2,563,914 of unobligated balances is available in FY 1986.

g/ In addition, $116 million was available for obligation in the Rural Housing Insurance Fund in FY 1985 and $167.5 million in FY 1986.

h/ In addition, $15 million was available from unobligated balances.

i/ Reappropriation of amounts previously available.

j/ Includes funds to reimburse FY 1984 losses that were not reimbursed in FY 1986.

FARMERS HOME ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary
1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Head-quarters	Field	Total	Head-quarters	Field	Total	Head-quarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1
ES-5	3	--	3	3	--	3	3	--	3
ES-4	2	1	3	2	1	3	2	1	3
ES-3	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	1	--	1	1	--	1
ES-1	2	--	2	2	--	2	2	--	2
GS/GM-15	32	48	80	32	48	80	30	48	78
GS/GM-14	61	18	79	61	18	79	57	16	73
GS/GM-13	108	440	548	108	440	548	101	384	485
GS-12	59	1,065	1,124	62	1,490	1,552	58	1,353	1,411
GS-11	34	1,694	1,728	37	1,276	1,313	34	1,059	1,093
GS-10	1	2	3	1	3	4	1	3	4
GS-9	27	1,285	1,312	30	1,300	1,330	28	1,134	1,162
GS-8	10	134	144	11	143	154	10	125	135
GS-7	42	1,023	1,065	44	1,050	1,094	41	916	957
GS-6	35	661	696	39	1,129	1,168	36	1,042	1,078
GS-5	30	2,435	2,465	32	2,295	2,327	30	1,975	2,005
GS-4	32	1,219	1,251	34	1,013	1,047	32	853	885
GS-3	6	433	439	7	465	472	6	405	411
GS-2	2	37	39	3	45	48	3	39	42
GS-1	--	2	2	--	3	3	--	2	2
Ungraded positions	3	12	15	4	12	16	3	11	14
Total Permanent Positions	494	10,509	11,003	517	10,731	11,248	482	9,366	9,848
Staff Years:									
Ceiling	497	11,621	12,118	520	11,870	12,400	485	10,515	11,000
Non-Ceiling	17	428	445	15	509	514	15	399	414
Total 1/	514	12,049	12,563	535	12,379	12,914	500	10,914	11,414

1/ Staff-Years of overtime included: 1985, 184; 1986, 300; 1987, 180.

FARMERS HOME ADMINISTRATION

CLASSIFICATION BY OBJECTS

FY 1985 and Estimated FY 1986 and FY 1987

Personnel Compensation:	FY 1985	FY 1986	FY 1987
Headquarters	$ 15,866,000	$ 15,634,000	$ 14,664,000
Field	232,816,000	229,406,000	215,786,000
11 Total personnel compensation	248,682,000	245,040,000	230,450,000
12 Personnel benefits	33,964,000	34,561,000	33,885,000
13 Benefits for former personnel	880,699	873,000	911,000
Total personnel compensation and benefits	283,526,699	280,474,000	265,246,000
Other Objects:			
21 Travel	15,235,000	19,815,000	20,058,000
22 Transportation of things	1,620,000	1,558,000	1,877,000
23.2 Rental payments to others	9,257,000	12,226,000	12,324,000
23.3 Communications, utilities and miscellaneous charges	20,516,000	28,640,000	34,424,000
24 Printing and reproduction	4,369,000	4,094,000	4,932,000
25 Other services	9,388,000	23,135,000	37,149,000
26 Supplies and materials	3,322,000	4,374,000	6,385,000
31 Equipment	2,825,295	3,447,000	4,062,000
41 Grants, subsidies and contributions	220,389,440	174,747,000	--
42 Insurance claims and indemnities	116,372	154,000	154,000
43 Interest and dividends	19,467	28,000	28,000
Total other objects	287,057,574	272,218,000	121,393,000
Total direct obligations	570,584,273	552,692,000	386,639,000

Position Data:			
Average Salary, ES positions	$67,500	$67,500	$67,500
Average Salary, GS positions	$22,345	$22,490	$22,575
Average Grade, GS Positions	7.77	7.82	7.85

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENCY RATES
(Dollars in Thousands)

Loan Type and Fund	September 30, 1984						September 30, 1985					
	All Borrowers		Borrowers Delinquent				All Borrowers		Borrowers Delinquent			
	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All
Agricultural Credit Insurance Fund												
Individual Loans:												
Farm Ownership 1/	124,954	$ 6,851,460	25,595	20	$ 282,962	4	126,270	$ 7,501,244	26,352	21	$ 347,913	5
Farm Operating	118,572	4,110,726	37,286	31	684,042	17	133,811	6,163,572	38,385	29	822,975	13
Recreation	225	14,084	60	27	1,345	10	210	13,325	53	25	1,270	10
Emergency Disaster	125,778	10,019,714	48,172	38	3,239,261	32	121,709	9,862,154	47,276	39	3,656,469	37
Economic Emergency	60,459	4,313,387	25,768	43	849,798	20	56,605	4,140,072	24,245	43	963,102	23
Soil and Water	16,865	299,042	4,332	26	27,650	9	16,441	302,120	4,465	27	33,564	11
Association Loans:												
Irrigation and Drainage	202	18,358	16	8	575	3	192	17,849	17	9	764	4
Grazing	257	61,569	14	5	1,395	2	253	59,361	15	6	1,920	3
Recreation	636	67,867	24	4	761	1	619	64,652	22	4	415	1
Indian Tribe Land Acquisition	29	82,619	4	14	175	0	29	83,501	2	7	199	0
Soil Conservation Service Loans:												
Watershed Protection and Flood Prevention	259	75,723	2	1	308	0	257	75,433	5	2	436	1
Resource Conservation and Development	149	15,896	7	5	245	2	146	15,325	9	6	348	2
Total, ACIF	448,385	25,930,445	141,280	32	5,088,517	20	456,542	28,298,608	140,846	31	5,829,375	21
Rural Housing Insurance Fund												
Low to Mod.-Income Hous. Loans:												
Repair (Section 504)	28,914	63,084	3,470	12	679	1	28,489	61,900	3,343	12	637	1
General Purpose (Sec. 502):												
Interest Credit	396,536	12,149,883	82,230	21	50,661	0	400,708	12,666,197	88,223	22	53,896	0
Non-Interest Credit	575,852	9,808,585	98,964	17	159,564	2	563,355	9,685,492	104,790	19	182,417	2
Above Moderate-Income Housing Loans (Section 502)	10,501	126,725	1,189	11	1,579	1	11,260	145,446	1,352	12	1,879	1
Domestic Farm Labor Loans (Section 514)	1,185	123,721	105	9	1,098	1	1,205	122,954	146	12	1,476	1
Rental or Cooperative Loans (Section 515)	10,478	5,701,145	495	5	10,784	0	10,914	6,080,462	256	2	8,772	0
Site Loans (Sec. 523 & 524) 2/	19	2,077	7	37	1,040	50	18	1,045	6	33	1,033	99
Total, RHIF	1,023,485	$27,975,220	186,460	18	$ 225,405	1	1,015,949	$28,763,496	198,116	20	250,110	1

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENCY RATES
(Dollars in Thousands)

Loan Type and Fund	September 30, 1984						September 30, 1985					
	All Borrowers		Borrowers Delinquent				All Borrowers		Borrowers Delinquent			
	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All
Rural Development Insurance Fund												
Community Facilities Loans:												
Water and Waste Disposal	12,873	6,110,403	158	1	7,887	0	13,195	6,449,888	141	1	7,859	0
Other Community Facilities	2,902	1,485,382	40	1	2,472	0	2,968	1,543,645	24	1	2,572	0
Insured Bus. and Indus. Loans	28	42,474	5	18	1,360	3	29	41,981	6	21	1,326	3
Total, RDIF	15,803	7,638,259	203	1	11,719	0	16,192	8,035,514	171	1	11,757	0
Community Service Adminis. 3/												
Economic Opportunity Loans:												
Individual	539	635	474	88	603	95	431	539	399	93	523	97
Cooperative	52	3,082	15	29	293	10	42	2,543	11	26	159	6
Total, CSA	591	3,717	489	83	896	24	473	3,082	410	87	682	22
TOTAL, FmHA 4/	1,488,264	$61,547,640	328,432	22	$5,326,539	9	1,489,156	$65,100,700	339,543	23	$6,091,924	9

1/Includes non-farm enterprise loans.
2/Activity for Section 523 Site Loans is part of the Self-Help Land Development Fund.
3/FmHA is responsible only for servicing on Equal Opportunity Loans, the last of which were made in 1974.
4/Totals do not always add because of rounding.

Report on Acquired Property
September 30, 1985

Program Type	Collateral Inventory as of 9/30/82		Collateral Inventory as of 9/30/83		Collateral Inventory as of 9/30/84		Collateral Inventory as of 9/30/85	
	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties
Agricultural Credit Insurance Fund:								
Farm Ownership	372	28,149,600	1,101	100,534,645	1,655	179,860,651	2,304	310,980,196
Nonfarm Enterprise	0	0	13	921,735	21	1,355,459	16	1,601,228
Operating Loans	331	8,386,049	692	20,023,412	1,087	36,509,130	1,020	41,649,381
Soil and Water - Individuals	40	723,899	165	4,670,097	288	8,891,913	357	12,045,800
Recreation Associations	7	1,073,977	10	1,671,243	11	1,249,879	4	782,278
Emergency	327	29,182,968	1,102	127,823,153	1,838	271,524,512	2,248	370,218,157
Economic Emergency	20	2,224,817	848	95,316,008	1,456	162,769,357	1,722	226,424,829
Other	0	0	6	1,014,030	12	1,345,157	8	1,425,940
Rural Housing Insurance Fund:								
Rural Housing - Individuals	12,195	311,592,490	14,772	374,380,071	17,240	472,136,957	17,229	547,998,661
Rural Rental Housing	12	3,021,138	21	3,039,237	15	2,245,440	3	208,804
Farm Labor Housing	6	670,432	6	407,610	7	447,623	0	0
Rural Housing Site	9	1,441,301	8	1,236,254	12	1,224,646	6	232,072
Total FmHA	13,319	386,466,671	18,744	731,037,495	23,642	1,139,560,724	24,917	1,513,567,346

FMHA/BU

February 3, 1986

FARMERS HOME ADMINISTRATION
SUMMARY OF PROGRAM LEVELS: FY 1985-1987
(NUMBER OF LOANS/GRANTS: DOLLARS IN THOUSANDS)

	FY 1985 ACTUAL		FY 1986 ESTIMATE		FY 1987 CURRENT LAW	
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
AGRICULTURAL CREDIT INSURANCE FUND						
INSURED FARM OWNERSHIP LOANS	7,424	$652,592	4,368	$400,000	2,065	$195,000
GUARANTEED FARM OWNERSHIP LOANS	453	67,927	1,680	260,000	2,020	325,000
INSURED FARM OPERATING LOANS	76,505	3,599,968	32,600	1,578,000	25,820	1,305,000
GUARANTEED FARM OPERATING LOANS	9,693	1,106,850	14,760	1,734,000	17,885	2,175,000
EMERGENCY DISASTER LOANS	14,060	490,877	36,110	1,300,000	13,680	700,000
INSURED SOIL AND WATER LOANS	514	9,764	1,125	22,000	0	0
GUARANTEED SOIL AND WATER LOANS	0	0	2	6,000	0	0
INDIAN LAND ACQUISITION LOANS	2	1,406	2	4,000	0	0
WATERSHED & FLD PREVENT LOANS	3	2,233	3	14,000	0	0
RESOURCE CONSER & DEVELOP LOANS	1	500	1	2,000	0	0
INTEREST BUY-DOWN PAYMENTS	0	0	0	120,000	0	185,000
TOTAL AG CREDIT INSURANCE FUND	108,655	5,932,117	90,651	5,440,000	66,470	4,885,000
RURAL HOUSING INSURANCE FUND						
SEC 502 LOW INCOME HOUS LOANS--INS	51,962	1,789,553	38,080	1,400,000	0	0
SEC 515 RENTAL HOUSING LOANS--SUB	1,242	903,336	907	700,000	0	0
SEC 504 V/L INC HOUS RPR LOANS--DIR	2,652	7,897	4,975	15,000	0	0
SEC 514 RH FOR DOMESTIC FARM LABOR LN	117	17,588	100	12,000	0	0
SEC 524 RURAL HOUSING SITE DEV LOANS	0	0	5	600	0	0
SEC 521 RURAL RENTAL ASSIST. PAYMENTS	523	115,994	758	167,513	0	0
TOTAL RURAL HOUSING INSURANCE FUND	56,496	2,834,368	44,825	2,295,113	0	0
RURAL DEVELOPMENT INSURANCE FUND						
WATER AND WASTE DISPOSAL LOANS	783	340,000	758	340,000	0	0
INSURED COMMUNITY FACILITY LOANS	214	115,000	178	100,000	0	0
GUARANTEED BUSINESS & INDUS LOANS	54	61,338	84	100,000	0	0
TOTAL RURAL DEVELOPMENT INSURANCE FUND	1,051	516,338	1,020	540,000	0	0
HOUSING SUPPORT PROGRAMS						
SEC 516 RH FOR DOMESTIC FARM LAB. GT	23	12,138	20	11,194	0	0
SEC 504 VERY-LOW INC HOUS REPAIR GTS	3,716	12,498	3,550	12,425	0	0
SEC 523 MUTUAL & SELF-HELP HOUS GTS	50	10,754	45	10,516	0	0
SEC 509 COMP FOR CONSTRUCTION DEFECTS	153	527	208	745	0	0
SEC 521 RURAL RENTAL ASSIST. PAYMENTS	364	52,250	0	0	0	0
SEC 523 S/H HOUS LAND DEV FUND--DIR	2	1,275	0	0	0	0
SEC 533 RURAL HOUSING PRESERVATION GT	0	0	100	20,000	0	0
TOTAL HOUSING SUPPORT PROGRAMS	4,308	89,442	3,923	54,880	0	0
RURAL DEVELOPMENT GRANT PROGRAMS						
WATER & WASTE DISPOSAL GRANTS	366	128,988	321	116,637	0	0
TOTAL RURAL DEVEL GRANT PROGRAMS	366	128,988	321	116,637	0	0
TOTAL FMHA APPROPRIATED PROGRAMS	170,876	9,501,253	140,740	8,446,630	66,470	4,885,000
RUR COMM FIRE PROTECTION GRANTS (FS)	3,400	3,234	3,253	3,230	0	0

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include appropriation language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Insurance Fund

1 [For direct loans and related advances pursuant to section 517(m) of the
Housing Act of 1949, as amended, $15,000,000 shall be available from]
2,3 From funds in the Rural Housing Insurance Fund, [and for insured loans as
authorized by title V of the Housing Act of 1949, as amended,
$2,112,600,000; of which not less than $2,112,000,000 shall be available
for subsidized interest loans to low-income borrowers, as determined by
the Secretary, and for subsequent loans to existing borrowers or to
purchasers under assumption agreements or credit sales; and] not to exceed
4 $10,000,000 shall be available to enter into collection and servicing
contracts pursuant to the provisions of section 3(f)(3) of the Federal
Claims Act of 1966 (31 U.S.C. 952).

5 [For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) of the Housing Act of 1949, as amended, total new obligations shall not exceed $167,513,000 to be added to and merged with authority provided for this purpose in prior fiscal years: Provided, That not to exceed $35,000,000 is available for new constructed units financed by section 515 of the Housing Act of 1949, as amended including not less than $5,000,000 for new constructed units financed under section 514 and 516 of the Housing Act of 1949: Provided further, That agreements entered into or renewed during fiscal year 1986 shall be funded for a five-year period, although the life of any such agreement may be extended to fully utilize amounts obligated: Provided further, That agreements entered into or renewed during fiscal years 1983, 1984, and 1985, may also be extended beyond five years to fully utilize amounts obligated.]

For an additional amount to reimburse the Rural Housing Insurance Fund for
interest subsidies and losses sustained in prior years, but not
previously reimbursed, in carrying out the provisions of title V of the
Housing Act of 1949, as amended (42 U.S.C. 1483, 1487e, and 1490a(c)),
6 $2,714,566,000, including [$2,757,000] $2,247,000 as authorized by section
7,8 521(c) of the Act[, $1,843,927,000, and for]. For an additional amount as
9 authorized by section 521(c) of the Act, such sums as may be necessary to
reimburse the fund to carry out a rental assistance program under section
521(a)(2) of the Housing Act of 1949, as amended.

The first change eliminates the language authorizing the appropriation for direct loans under the Rural Housing Insurance Fund. No program is being proposed for funding in FY 1987.

The second changes capitalizes the first word of the revised language.

The third change deletes language authorizing insured loan levels for both subsidized and non-subsidized interest loans since no insured loan program is proposed for FY 1987.

The fourth change adds language mandating the availability of funds for collection and servicing contracts.

The fifth change deletes the language authorizing the entering into of rental assistance agreements since no level of operation is proposed for FY 1987.

The sixth change advances the amount of the total appropriation for interest subsidies and other losses to an earlier position in the language for clarity reasons.

The seventh and eighth change creates another sentence in the language by deleting "and for", inserting a period, and capitalizing the word "For".

The ninth change adds ", such sums" to clarify the language.

Rural Housing Insurance Fund

(a) On Basis of Program Levels

Program Levels, 1986	$2,295,113,000
Program Levels, 1987	--
Decrease in Loan Levels	-2,295,113,000

SUMMARY OF INCREASES AND DECREASES

(On basis of program level authorizations)
(Dollars in Millions)

Item of Change	1986 Authorized	Program Changes	1987 Estimate
Low-Income Housing Assistance:			
Subsidized Interest Rate Loans:			
Repair loans (sec. 504)	$15.0	-$15.0	--
General purpose loans (sec. 502):			
Purchase of new dwellings	870.0	-870.0	--
Purchase of existing dwellings	501.8	-501.8	--
Repair only	18.2	-18.2	--
Domestic farm labor housing loans (sec. 514)	12.0	-12.0	--
Rental or cooperative loans (sec. 515)	700.0	-700.0	--
Subtotal, Low-Income Housing Loan Assistance	2,117.0	-2,117.0	--
Non-subsidized Housing Loan Assistance To Existing Borrowers:			
Loans for servicing the existing portfolio	10.0	-10.0	
Site loans (sec. 524)	0.6	-0.6	--
Subtotal, Moderate-Income Housing Loan Assistance	10.6	-10.6	--
TOTAL LOAN ASSISTANCE	2,127.6	-2,127.6	--
Rural Rental Assistance Payments	167.5	-167.5	--
TOTAL PROGRAM LEVEL AUTHORIZED	2,295.1	-2,295.1	--
Proposed Supplemental:			
Low-Income Housing Assistance:			
Subsidized Interest Rate Loans:			
Repair loans (sec. 504)	-7.0	+7.0	--
General Purpose loans (sec. 502):			
Purchase of new dwellings	-285.8	+285.8	--
Purchase of existing dwellings	-164.9	+164.9	--
Repair only	-6.0	+6.0	--
Rental or cooperative loans (sec. 515)	-233.0	+233.0	--
Non-Subsidized Housing Loan Assistance To Existing Borrowers:			
Loans for servicing the existing portfolio	-3.3	+3.3	
TOTAL PROPOSED SUPPLEMENTAL	-700.0	+700.0	--
TOTAL PROGRAM LEVEL-Adjusted for proposed Supplemental	1,595.1	-1,595.1	--

RURAL HOUSING INSURANCE FUND
PROJECT STATEMENT
(On the basis of adjusted loan levels)
(Dollars in millions)

Project	1985 Actual		1986 Estimated		Decrease	1987 Estimated	
	No. of Units	Amount	No. of Units	Amount		No. of Units	Amount
Low-Income Housing Assistance:							
Subsidized Interest Rate Loans:							
Repair loans (sec. 504)	2,315	$7.9	4,230	$15.0	-$15.0(1)	--	--
General purpose loans (sec. 502):							
Purchase of new dwellings	26,134	1,115.8	19,590	870.0	-870.0(2)	--	--
Purchase of existing dwellings	13,959	641.9	10,480	501.8	-501.8(2)	--	--
Repair only	708	23.1	530	18.2	-18.2(2)	--	--
Domestic farm labor housing loans (sec. 514)	666	17.6	500	12.0	-12.0(3)	--	--
Rental or cooperative loans (sec. 515)	25,687	903.3	19,140	700.0	-700.0(4)	--	--
Non-Subsidized Interest Rate Loans:							
Loans for servicing the existing portfolio	--	8.7	--	10.0	-10.0(2)	--	--
Subtotal, Low-Income Housing Loan Assistance	69,469	2,718.4	54,470	2,127.0	-2,127.0	--	--
Moderate-Income Housing Loan Assistance:							
Non-Subsidized Interest rate loans:							
General purpose loans (sec. 502)							
Purchase of new dwellings	--	--	--	--	--	--	--
Purchase of existing dwellings	--	--	--	--	--	--	--
Repair only	--	--	--	--	--	--	--
Site loans (sec. 524) a/	--	--	--	0.6	-0.6(5)	--	--
Subtotal, Moderate-Income Housing Loan Assistance	--	--	--	0.6	-0.6	--	--
TOTAL LOAN ASSISTANCE	69,469	2,718.4	54,470	2,127.6	-2,127.6	--	--
Rural Rental Assistance Payments	(10,500)	116.0	(15,163)	167.5	-167.5(6)	--	--
TOTAL PROGRAM LEVELS	69,469	2,834.4	54,470	2,295.1	-2,295.1	--	--

NOTE: All unit information is preliminary. The program levels are subject to minor shifts between categories.

RURAL HOUSING INSURANCE FUND
PROJECT STATEMENT (continued)
(On the basis of adjusted loan levels)
(Dollars in millions)

Project	1985 Actual		1986 Estimated		Decrease	1987 Estimated	
	No. of Units	Amount	No. of Units	Amount		No. of Units	Amount
TOTAL PROGRAM LEVELS (continued)	69,469	$2,834.4	54,740	$2,295.1	-$2,295.1	--	--
PROPOSED SUPPLEMENTAL b/							
Low-Income Housing Assistance:							
Subsidized Interest Rate Loans:							
Repair loans (sec. 504)	--	--	-1,974	-7.0	+7.0(1)	--	--
General purpose loan (sec. 502):							
Purchase of new dwellings	--	--	-6,435	-285.8	+285.8(2)	--	--
Purchase of existing dwellings	--	--	-3,444	-164.9	+164.9(2)	--	--
Repair only	--	--	-175	-6.0	+6.0(2)	--	--
Rental or cooperative loans (sec. 515)	--	--	-6,371	-233.0	+233.0(4)	--	--
Non-Subsidized Interest Rate Loans:							
Loans for servicing the existing portfolio	--	--	--	-3.3	+3.3(2)	--	--
Subtotal, Proposed Supplemental	--	--	-18,399	-700.0	+700.0	--	--
TOTAL PROGRAM LEVELS - ADJUSTED FOR PROPOSED SUPPLEMENTAL	69,469	2,834.4	36,071	1,595.1	-1,595.1	--	--

Staff years are reflected in the Salaries and Expense Project Statement.

a/ Site loans do not produce units of housing. They are usually made in conjunction with sec. 502 or sec. 515 loans and the units would be counted in these categories.

b/ A proposed supplemental has been submitted to Congress to relinquish $700 million in loan authority.

EXPLANATION OF PROGRAM

The Rural Housing Insurance Fund (RHIF) was established under the authority contained in section 1003 (a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An Appropriation of $100,000,000 was provided by the Supplemental Appropriation Act, 1966, (Public Law 89-309), to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural housing direct loan account to the Rural Housing Insurance Fund. Public Law 91-609, approved December 31, 1970, made a number of changes in the loan and grant programs for farm labor housing.

The Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, provides that loans may be made in areas with a population in excess of 10,000 but less than 20,000 if such an area is not included within a standard metropolitan statistical area and has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development. This authority was amended by Public Law 94-375, approved August 3, 1976, to specify that there must be a serious lack of mortgage credit for low and moderate income families. The Housing and Community Development Act of 1974 also established a rural rental assistance program to be administered by Farmers Home Administration through the Rural Housing Insurance Fund. The Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, provided for numerous changes in FmHA's rural housing authorities. The most significant were: changes made to the guaranteed housing program authorities to make the program more attractive to local lenders and to limit its scope to above moderate income applicants only, as defined by FmHA; provision for payments from the RHIF to borrowers for compensation for correction of construction defects, claims resulting from such defects, or the acquisition of title to the property, where a newly constructed unit purchased with financial assistance from FmHA is found by the Secretary to have structural defects; and provision for FmHA-held acquired property to be subject to taxation by State and local political subdivisions in the same manner and to the same extent as other property is taxed.

The Supplemental Appropriations Act for the fiscal year ending September 30, 1984, and for other purposes, (also known as the "Housing and Urban-Rural Recovery Act of 1983") Public Law 98-181, approved November 30, 1983, provided for numerous changes in FmHA's rural housing programs. The most significant were to: target and give priority to very low-income persons in making housing assistance available in rural areas; adopt HUD income limits, eligibility criteria and definitions of adjusted income; make single or multi-family loans for manufactured housing units; authorize up to $10 million for innovative demonstrations of housing and building systems that differ from FmHA minimum property standards; permit rental housing projects on scattered sites; limit rent increases; require priorities for rental assistance payments; and emphasize housing of modest size, design and cost. In addition a new Section 533 was added to provide Housing Preservation Grants for rehabilitation purposes.

The Housing and Community Development Technical Amendments Act of 1984, Public Law 98-479, approved October 17, 1984 made additional technical changes to the Housing programs as a result of the previously passed Housing and Urban-Rural Recovery Act of 1983. The most significant changes were: to remove references to the Secretary of Housing and Urban Development in establishing of low and very low family income levels; changed the funding requirements to a nationwide minimum of 40 percent of

Section 502 funding to be set aside for very low-income families and established a minimum of 30 percent of funds allocated to each state for very low-income families; restricted the interchange funding authority of the Secretary; and established new priorities for obligations of rental assistance units as well as provisions to extend expiring contracts.

Rural housing building and repair loans (Section 502 of the Housing Act of 1949, as amended) - Loans are made to enable eligible low income applicants to purchase, construct, improve, alter, repair or replace dwellings in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. Not less than 40 percent of the funding authorized nationally shall be set aside and 30 percent in each state will be available for very low-income families. These loans bear a note rate based on the cost of money to the Treasury with provisions for interest credit which may reduce the interest rate to as low as 1 percent under certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing, modest in size, design and cost.

Insured building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are generally repayable in not more than 33 years, however, persons whose incomes do not exceed 60 percent of the median income for the area could receive loans with maturities up to 38 years.

Rural rental and cooperative building loans (Section 515 of the Housing Act of 1949, as amended) - Loans are authorized to be made to individuals, corporations Indian Tribes, associations, public bodies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly or handicapped persons or families and other persons of low and moderate income in rural areas. Priority for rural rental housing loans is for applicants proposing to serve low and very low-income families and persons in most rural areas. To the extent rental assistance is available, priority will be given to existing projects for units occupied by low income families to extend expiring contracts or provide full amounts authorized to existing contracts; any remaining authority will be used for projects receiving new construction commitments under Sections 514, 515 or 516 for very low-income families with certain limitations. Repaired or rehabilitated rental projects are encouraged in order to provide affordable housing. These loans are repayable in not more than 50 years and currently bear a note rate based on the cost of money to the Treasury with provision for interest credit to tenants which may reduce the interest rate to as low as 1 percent under certain circumstances. These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources except in the case of public bodies. The Farmers Home Administration has in the past made its rural rental housing loans in conjunction with the Department of Housing and Urban Development's Section 8 rent subsidy program. Loans made for units that will receive Section 8 assistance bear an interest rate that is reduced either 1 percent or 2 percent below the unsubsidized rate, depending upon the circumstances of the individual project.

Rural housing site loans (Section 524 of the Housing Act of 1949, as amended) - Loans are made for the purchase and development of land to be subdivided into building sites for low to moderate income housing borrowers and rural rental and cooperative housing borrowers. Insured loans are made at a note rate based on the cost of money to the Treasury, and are repayable in 2 years.

Farm labor housing loans (Section 514 of the Housing Act of 1949, as amended) - Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations, public bodies, or to a nonprofit organization of farmworkers to provide modest living quarters, basic household furnishing, and related facilities, including land necessary for an adequate site, for domestic farm labor. Loans will be made based on a determination of need considering housing needs of domestic farm labor, including migrant farmworkers in the area without regard to other housing needs in area. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. Loans to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

Rural rental assistance payments (Section 521 of the Housing Act of 1949, as amended - Rural rental assistance payments are authorized to be made to owners of FmHA financed rural rental or cooperative housing or domestic farm labor housing facilities. Low-income tenants will contribute the higher of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) designated housing payments from a welfare agency. The program is administered in tandem with FmHA section 515 rural rental and cooperative housing programs, and the farm labor loans and grant programs.

In FY 1987 rental assistance will be provided by the Department of Housing and Urban Development (HUD).

JUSTIFICATION OF DECREASES

Starting in FY 1987 rural housing assistance is to be provided by the Department of Housing and Urban Development (HUD) under the Administration's goal of centralizing housing assistance.

These changes are being proposed for the following reasons:

- Past history has demonstrated that housing needs of rural families will continue to be served.
    - The private sector, HUD and VA were responsible for financing 95 percent of all housing in FmHA's service areas through 1979. They provided 88 percent of the housing occupied by low and very low-income families.
    - HUD and VA have played a much larger role than FmHA in providing Federally-assisted housing in nonmetropolitan areas and their housing programs will continue to be available in these areas.
- Centralizing the responsibility of Federal housing assistance in one agency, HUD, will result in budgetary and program improvements.
    - Like HUD's programs, the FmHA assistance is targeted to the most needy. However, the most needy low income families can't afford single family units in most cases with only a low interest loan.
    - The HUD programs rely to a far greater extent on existing housing as opposed to higher cost new construction. The HUD voucher program will give rural families more flexibility in choosing low-cost housing.

The s in program levels consist of

(1) A decrease of $15,000,000 for Section 504 very low-income housing repair loans ($15,000,000) available in FY 1986).

Need for change: This program has not been fully utilized in the past; therefore, to help reduce Federal outlays, no program is requested.

Nature of change: No funding is requested in FY 1987. Federal Housing assistance will be consolidated under the Department of Housing and Urban Development.

(2) A decrease of $1,400,000,000 of Section 502 low-to-moderate income rural housing loans to individuals ($1,400,000,000 available in FY 1986).

Need for change: The proposed budget will help curtail the growth in Federal subsidies associated with this program and thereby help reduce the Federal deficit.

Nature of change: No funding is requested in FY 1987. The proposed FY 1987 Section 502 rural housing loan program level has been reduced by $1,400,000,000 consisting of:

A decrease of $870,000,000 for interest credit loans to very low and low-income borrowers to build or purchase new dwellings;

A decrease of $501,800,000 for interest credit loans to very low and low-income borrowers for the purchase of existing dwellings;

A decrease of $18,200,000 for interest credit loans to very low and low-income borrowers for repair and rehabilitation of existing dwellings and

A decrease of $10,000,000 for non-interest credit subsequent loans to borrowers for servicing activities.

(3) A decrease of $12,000,000 for Section 514 domestic farm labor housing loans ($12,000,000 available in FY 1986).

Need for change: The housing needs of the domestic farm labor can be taken met through the programs of the Department of Department of Housing and Urban Development.

Nature of change: No funding is requested in FY 1987 to help reduce the Federal deficit.

(4) A decrease of $700,000,000 for section 515 rental or cooperative housing loans ($700,000,000 available in FY 1986).

Need for change: The proposed FY 1987 section 515 rural rental or cooperative housing loan program level has been eliminated. This decrease is necessary to continue efforts to reduce deep subsidies associated with the program and thereby help reduce the Federal deficit.

Nature of change: No funding is requested in FY 1987.

(5) A decrease of $600,000 for section 524 insured site loans ($600,000 available in FY 1986).

Need for change: Historically this program has only been utilized sporadically and at minimal levels. Little impact will result from non-funding.

Nature of change: The proposed reduction will eliminate the program.

(6) A decrease of $167,513,000 for rural rental assistance payments ($167,513,000 available in FY 1986).

Need for change: The Administration is proposing that HUD assume responsibilities for rental subsidies through its voucher program.

Nature of change: No funding requested for FY 1987 to comply with the Administration's goal of centralizing all housing assistance under HUD.

(b) Direct Loan Authorization

Appropriation Act, 1986	$15,000,000
Budget Estimate, 1987	--
Change in Loan Authorization	-15,000,000

PROJECT STATEMENT
(On basis of authorizations)

Project	1985 Actual	1986 Estimated	Decrease	1987 Estimated
Direct loan authorizations:				
Very low-income repair loans	$ 8,011,907 1/	$15,000,000	-$15,000,000	--
Unobligated authorizations lapsing	8,988,093	--	--	--
Total, loan authorizations	17,000,000	15,000,000	-15,000,000	--

1/ Includes $115,287 for advances not included in loan program obligation level.

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Direct rural housing loans may be made to individuals who live on farms, in the open country, and in towns of not more than 10,000 population. These loans may also be made to people who live in towns of 10,000-20,000 population that are not located within standard metropolitan statistical areas, and where a serious lack of mortgage credit exists.

Direct loans may be made to eligible very low-income applicants who are owners of farms or non farm rural property for the purpose of improving or modernizing a rural dwelling; making the dwellings safer or more sanitary, or; removing hazards. The Secretary determines the maximum amount of the loan. These secured loans are made at one percent interest and are repayable within 20 years, except that a loan for less than $2,500 need only be secured by a promissory note.

(c) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1986		$2,007,347,000 1/
Budget Estimate, 1987		2,866,434,000 2/
Increase in Appropriation		+859,087,000
Adjustment in 1986:		
Appropriation Act, 1986	$2,007,347,000	
Less Pro-Rata Reduction, P.L. 99-190	-11,064,000	
Net Appropriation		$1,996,283,000
Budget Estimate, 1987		2,866,434,000 2/
Increase over adjusted 1986		+870,151,000

1/ Includes reimbursement for payments made under the rural rental assistance program in the amount of $163,420,000.

2/ Include reimbursements for payments made under the rural rental assistance program in amount of $151,868,000.

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Reimbursement for Interest Subsidies and Losses:				
General purpose loans	$1,429,213	$1,630,319	+$134,796	$1,765,115
Rental or cooperative loans	406,305	497,414	+132,387	629,801
Domestic farm labor loans	8,214	2,592	+12,646	15,238
Site loans	195	6,459	-5,968	491
Subtotal, subsidies and losses	1,843,927	2,136,784	+273,861 (1)	2,410,645
Rural rental assistance payments	103,810	163,420	-11,552 (2)	151,868
Total Losses	1,947,737	2,300,204	+262,309	2,562,513
Amount not appropriated in FY 1986	--	-303,921	+303,921 (3)	--
Appropriation for FY 1984 losses not reimbursed in FY 1986			+303,921 (3)	303,921
Total Adjusted Appropriation	1,947,737	1,996,283	+870,151	2,866,434

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Housing Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1985 and prior years not fully reimbursed. Section 521(c)(1) of the Housing Act of 1949, as amended, authorizes annual appropriations to the Rural Housing Insurance Fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers. In addition, section 517(e) of the Act authorizes appropriations to restore all other losses to the fund. The amount requested is exclusive of provision for future losses, unfunded costs and imputed interest.

JUSTIFICATION OF INCREASE AND DECREASE

(1) An increase of $273,861,000 for reimbursement of interest subsidies and other losses incurred in FY 1985 (an adjusted $1,832,863,000 available in FY 1986 for interest subsidies and losses of $2,136,784,000 incurred in FY 1984).

Need for change. An increase of $273,867,000 for reimbursement for subsidies and losses is due to several factors. The portfolio of loans outstanding increased approximately $1.3 billion during the fiscal year. Interest costs associated with the Certificates of Beneficial Ownership (CBO's) outstanding increased due to additional sales at relatively high interest rates during the year and the annualization of FY 1984's still higher levels of CBO sales and interest rates. The interest income generated within the fund increased only moderately owing to the expansion of the portfolio, and the average interest rates on loans in the portfolio increasing only slightly. The net result of these and other various factors increased the interest subsidy and other losses by $273,861,000.

Nature of change. The amount requested will reimburse the Rural Housing Insurance Fund for the higher level of interest subsidies and other losses incurred during fiscal year 1985.

(2) A decrease of $11,552,000 for rural rental assistance payments ($163,420,000 available in 1986).

Need for change. The amount requested represents the current estimate for the current indefinite Budget Authority required to fund the 1987 disbursements for rental assistance units obligated under the RHIF in prior years.

Nature of change. The decrease of $11,552,000 is attributable to the overall decrease in the number of units that will receive assistance during FY 1987. A greater number of units currently under RA contracts are projected to expire than any incremental units are added or any increased costs per unit are incurred.

(3) The increase of $303,921,000 for reimbursement of interest subsidies and losses incurred in FY 1984 and not reimbursed in FY 1986.

Need for change. The purpose of this increase is to fully replenish the Rural Housing Insurance Fund for losses incurred in FY 1984 that were not appropriated (after adjustments) in FY 1986. Any losses not reimbursed will result in the need for increased Treasury borrowings to replace the appropriated funds. The additional Treasury borrowings would result in increased interest expenses to the fund, and subsequently higher future losses to the fund.

Nature of change. The amount requested will fully replenish the RHIF for losses incurred but not previously reimbursed.

The following schedule presents an analysis of change in the cash position of the fund.

Rural Housing Insurance Fund

Change in Cash Position of the Fund
(In Thousands of Dollars)

	1985 Actual	1986 Estimate	1987 Estimate
Cash balance, beginning of year	$ 63,859	$ 31,027	$ 45,551
Outlays	-2,385,364	-2,941,759	-2,075,926
Funds for financing:			
Appropriation for reimbursement of losses	1,843,927	1,832,863	2,714,566
Appropriation for reimbursement of rental assistance payments	103,810	163,420	151,868
Principal transferred to participation certificates........	-205	--	--
Borrowing from Treasury.............	405,000	960,000	--
Repayments of Treasury borrowings...	--	--	-460,000
Net financing	2,352,532	2,956,283	2,406,434
Cash balance, end of year	31,027	45,551	376,059

As of September 30, 1987 the principal amount of contingent liabilities under insurance programs is estimated to be $29.6 billion.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses and rental assistance, is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Housing Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1985 Actual								
Loans:								
General purpose loans	$1,240,437	$ 1,760	$1,242,197	$2,855,455	$ 17,679	$134,178	$3,007,312	-$1,765,115
Domestic farm labor loans	1,029	8	1,037	16,081	--	194	16,275	-15,238
Rental or cooperative loans	190,553	402	190,955	817,075	102	3,579	820,756	-629,801
Site loans	50	1	51	115	--	427	542	-491
TOTAL	1,432,069	2,171	1,434,240	3,688,726	17,781	138,378	3,844,885	-2,410,645 1/
1986 Estimate								
Loans:								
General purpose loans	1,312,640	1,661	1,314,301	2,971,860	18,400	144,594	3,134,854	-1,820,553
Domestic farm labor loans	1,200	8	1,208	13,000	--	210	13,210	-12,002
Rental or cooperative loans	210,000	380	210,380	887,873	130	4,000	892,003	-681,623
Site loans	60	1	61	80	--	460	540	-479
TOTAL	1,523,900	2,050	1,525,950	3,872,813	18,530	149,264	4,040,607	-2,514,657 1/
1987 Estimate								
Loans:								
General purpose loans	1,320,700	1,661	1,322,361	2,963,440	18,930	185,600	3,167,970	-1,845,609
Domestic farm labor loans	1,246	8	1,254	13,052	--	270	13,322	-12,068
Rental or cooperative loans	223,400	380	223,780	908,170	140	5,320	913,630	-689,850
Site loans	62	1	63	81	--	594	675	-612
TOTAL	1,545,408	2,050	1,547,458	3,884,743	19,070	191,784	4,095,597	-2,548,139 1/

1/ Does not include rural rental assistance payments made in the amount of $103,810,000 in FY 1985, $163,420,000 in FY 1986 and $151,868,000 in FY 1987.

The following schedules present an analysis of outlays by loan program for fiscal years 1985, 1986 and 1987.

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1985
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	$1,816,788	$14,213	$ 889,941	$ 253	$2,721,195
Purchase of loans and certificates of beneficial ownership	1,802,080	9,964	509,420	70	2,321,534
Rental assistance payments	--	8,964	94,846	--	103,810
Collections disbursed to investors	47,498	7	518	0	48,023
Interest expense	2,762,547	15,508	793,187	111	3,571,353
Interest credits on loans	922	--	135	--	1,057
Administrative expense	3,920	22	1,127	--	5,069
Loss settlement, guaranteed loans	21	--	--	--	21
Interest transferred on participation certificates	426	--	--	--	426
Other	95,887	43	743	20	96,693
Total funds expended	6,530,089	48,721	2,289,917	454	8,869,181
Funds received:					
Repayments on loans	1,174,279	3,757	82,489	231	1,260,756
Payments of interest on loans	1,153,495	1,176	176,391	96	1,331,158
Sale of loans and certificates of beneficial ownership	2,336,241	21,059	1,362,933	114	3,720,347
Collections received for investors	39,591	3	277	--	39,871
Insurance premiums and guarantee fees	56	--	3	--	59
Other	121,785	257	9,251	333	131,626
Total funds received	4,825,447	26,252	1,631,344	774	6,483,817
OUTLAYS	1,704,642	22,469	658,573	-320	2,385,364

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1986
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	$1,631,000	$13,800	$919,800	$400	$2,565,000
Purchase of loans and certificates of of beneficial ownership	107,000	600	30,100	--	137,700
Rental assistance payments	--	13,420	150,000	--	163,420
Collections disbursed to investors	33,100	5	395	--	33,500
Interest expense	2,845,000	12,600	845,330	115	3,703,045
Interest credits on loans	650	--	100	--	750
Administrative expense	41,500	150	14,340	10	56,000
Loss settlement, guaranteed loans	350	--	--	--	350
Interest transferred on participation certificates	--	--	--	--	--
Other	103,100	68	2,011	21	105,200
Total funds expended	4,761,700	40,643	1,962,076	546	6,764,965
Funds received:					
Repayments on loans	1,273,000	4,140	92,600	260	1,370,000
Payments of interest on loans	1,272,900	1,295	198,000	105	1,472,300
Sale of loans and certificates of beneficial ownership	90,000	5,000	726,000	--	821,000
Collections received for investors	29,780	10	210	--	30,000
Insurance premiums and guarantee fees	47	--	3	--	50
Other	120,140	255	9,131	330	129,856
Total funds received	2,785,867	10,700	1,025,944	695	3,823,206
OUTLAYS	1,975,833	29,943	936,132	-149	2,941,759

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1987
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	$320,300	$9,300	$727,100	$300	$1,057,000
Purchase of loans and certificates of of beneficial ownership	125,900	707	35,410	--	162,017
Rental assistance payments	--	13,868	138,000	--	151,868
Collections disbursed to investors	24,730	4	266	--	25,000
Interest expense	2,904,000	13,200	962,029	120	3,879,349
Interest credits on loans	550	--	100	--	650
Administrative expense	41,500	150	14,340	10	56,000
Loss settlement, guaranteed loans	300	--	--	--	300
Interest transferred on participation certificates	--	--	--	--	--
Other	101,430	68	1,981	21	103,500
Total funds expended	3,518,710	37,297	1,879,226	451	5,435,684
Funds received:					
Repayments on loans	1,340,000	4,425	99,300	275	1,444,000
Payments of interest on loans	1,300,000	1,340	213,950	110	1,515,400
Sale of loans and certificates of beneficial ownership	19,000	--	19,000	--	38,000
Collections received for investors	21,800	10	190	--	22,000
Insurance premiums and guarantee fees	47	--	3	--	50
Other	315,000	700	24,100	508	340,308
Total funds received	2,995,847	6,475	356,543	893	3,359,758
OUTLAYS	522,863	30,822	1,522,683	-442	2,075,926

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing Insurance Fund

Very-Low Income Housing Repair Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	685,980	1,300,000	--
Arizona............	17,600	30,000	--
Arkansas...........	277,720	510,000	--
California.........	151,860	290,000	--
Colorado...........	25,460	50,000	--
Connecticut........	1,150	10,000	--
Delaware...........	3,000	10,000	--
Florida............	103,730	200,000	--
Georgia............	61,890	120,000	--
Hawaii.............	185,580	350,000	--
Idaho..............	10,410	20,000	--
Illinois...........	68,970	130,000	--
Indiana............	53,710	100,000	--
Iowa...............	85,430	160,000	--
Kansas.............	11,800	20,000	--
Kentucky...........	387,810	740,000	--
Louisiana..........	212,170	400,000	--
Maine..............	351,060	670,000	--
Maryland...........	50,300	100,000	--
Massachusetts......	62,020	120,000	--
Michigan...........	179,220	340,000	--
Minnesota..........	13,180	30,000	--
Mississippi........	686,930	1,310,000	--
Missouri...........	77,080	150,000	--
Nebraska...........	6,000	10,000	--
Nevada.............	2,490	10,000	--
New Hampshire......	30,240	60,000	--
New Jersey.........	16,300	30,000	--
New Mexico.........	119,960	230,000	--
New York...........	183,200	350,000	--
North Carolina.....	306,850	580,000	--
North Dakota.......	9,280	20,000	--
Ohio...............	50,780	100,000	--
Oklahoma...........	64,600	120,000	--
Oregon.............	23,370	40,000	--
Pennsylvania.......	477,670	900,000	--
Rhode Island.......	2,040	10,000	--
South Carolina.....	120,830	230,000	--
South Dakota.......	10,800	20,000	--
Tennessee..........	161,370	300,000	--
Texas..............	585,320	1,100,000	--
Utah...............	2,700	10,000	--
Vermont............	71,980	140,000	--
Virginia...........	112,450	200,000	--
Washington.........	71,900	140,000	--
West Virginia......	101,650	190,000	--
Wisconsin..........	107,980	210,000	--
Wyoming............	10,950	20,000	--
Puerto Rico........	287,960	550,000	--
Trust Territories..	1,193,890	2,270,000	--
Total, Available or Estimate.......	7,896,620	15,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing Insurance Fund

Low Income Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama	40,629,870	38,580,000	--
Alaska	16,885,670	6,531,000	--
Arizona	14,174,930	14,645,000	--
Arkansas	49,850,860	30,196,000	--
California	84,377,590	51,365,000	--
Colorado	7,286,660	13,053,000	--
Connecticut	18,659,100	10,629,000	--
Delaware	4,758,010	3,515,000	--
Florida	58,835,700	36,263,000	--
Georgia	20,511,960	49,357,000	--
Hawaii	32,979,870	4,962,000	--
Idaho	8,876,210	10,461,000	--
Illinois	34,207,890	43,314,000	--
Indiana	35,978,780	39,697,000	--
Iowa	29,170,750	27,269,000	--
Kansas	8,499,040	19,593,000	--
Kentucky	51,952,740	45,477,000	--
Louisiana	55,052,970	33,893,000	--
Maine	45,294,720	15,221,000	--
Maryland	17,608,860	16,454,000	--
Massachusetts	26,808,310	17,587,000	--
Michigan	49,345,160	49,614,000	--
Minnesota	23,997,300	30,297,000	--
Mississippi	95,916,150	35,017,000	--
Missouri	36,095,360	37,131,000	--
Montana	8,828,120	9,076,000	--
Nebraska	11,123,990	13,205,000	--
Nevada	3,198,760	3,120,000	--
New Hampshire	21,599,850	9,021,000	--
New Jersey	24,001,760	14,120,000	--
New Mexico	20,947,000	12,446,000	--
New York	59,175,580	49,742,000	--
North Carolina	68,694,110	67,779,000	--
North Dakota	9,932,600	8,697,000	--
Ohio	60,690,150	57,332,000	--
Oklahoma	26,047,420	26,020,000	--
Oregon	22,313,170	20,116,000	--
Pennsylvania	75,701,440	68,218,000	--
Rhode Island	8,147,160	2,297,000	--
South Carolina	57,121,190	34,472,000	--
South Dakota	5,279,610	9,753,000	--
Tennessee	68,630,840	43,347,000	--
Texas	61,203,535	76,700,000	--
Utah	9,705,740	6,077,000	--
Vermont	18,305,140	7,289,000	--
Virginia	46,497,550	42,999,000	--
Washington	34,500,740	23,555,000	--
West Virginia	24,986,670	27,575,000	--
Wisconsin	50,873,830	34,937,000	--
Wyoming	9,390,140	5,449,000	--
Puerto Rico	89,300,700	35,520,000	--
Trust Territories	23,662,700	8,050,000	--
Virgin Islands	1,939,120	2,967,000	--
Total, Available or Estimate	1,789,553,075	1,400,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing Loan Program

Rural Housing Site Loan Program

	1985 Amount	1986 Amount	1987 Amount
Florida...........	--	120,000	--
New Mexico.........	--	120,000	--
Oklahoma...........	--	90,000	--
Washington.........	--	150,000	--
Wisconsin..........	--	120,000	--
Total, Available or Estimate.......	--	600,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing Insurance Fund

Rural Rental Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	32,398,110	18,700,000	--
Alaska.............	4,338,680	3,000,000	--
Arizona............	4,446,380	7,000,000	--
Arkansas...........	26,800,190	14,100,000	--
California.........	50,295,040	22,700,000	--
Colorado...........	8,456,390	5,100,000	--
Connecticut........	7,256,280	5,300,000	--
Delaware...........	2,897,850	1,900,000	--
Florida............	48,922,870	15,000,000	--
Georgia............	29,473,435	25,400,000	--
Hawaii.............	2,996,000	3,000,000	--
Idaho..............	4,230,230	4,500,000	--
Illinois...........	16,671,020	15,000,000	--
Indiana............	20,189,404	13,800,000	--
Iowa...............	6,995,930	9,300,000	--
Kansas.............	11,940,476	7,100,000	--
Kentucky...........	37,013,840	24,700,000	--
Louisiana..........	32,318,055	16,900,000	--
Maine..............	31,974,380	6,200,000	--
Maryland...........	21,133,388	6,300,000	--
Massachusetts......	3,721,100	5,800,000	--
Michigan...........	37,770,510	24,300,000	--
Minnesota..........	20,419,987	11,600,000	--
Mississippi........	2,261,950	17,700,000	--
Missouri...........	24,724,550	15,000,000	--
Montana............	6,002,940	4,000,000	--
Nebraska...........	3,701,590	5,000,000	--
Nevada.............	4,119,520	1,600,000	--
New Hampshire......	10,755,100	3,400,000	--
New Jersey.........	13,355,610	6,800,000	--
New Mexico.........	5,087,370	6,600,000	--
New York...........	46,861,360	24,400,000	--
North Carolina.....	46,088,960	31,100,000	--
North Dakota.......	3,994,100	3,300,00,	--
Ohio...............	21,842,830	23,200,000	--
Oklahoma...........	17,879,288	10,900,000	--
Oregon.............	7,326,610	7,700,000	--
Pennsylvania.......	32,758,480	25,400,000	--
Rhode Island.......	1,593,000	1,300,000	--
South Carolina.....	21,825,740	16,000,000	--
South Dakota.......	4,108,700	4,300,000	--
Tennessee..........	30,279,750	21,900,000	--
Texas..............	41,555,470	106,400,000	--
Utah...............	5,540,740	2,800,000	--
Vermont............	5,844,500	3,000,000	--
Virginia...........	15,538,560	18,100,000	--
Washington.........	20,902,020	8,700,000	--
West Virginia......	13,592,370	12,300,000	--
Wisconsin..........	17,922,340	11,900,000	--
Wyoming............	3,956,275	2,200,000	--
Puerto Rico........	9,460,700	31,600,000	--
Trust Territories..	--	5,400,000	--
Virgin Islands.....	1,796,400	1,300,000	--
Total, Available or Estimate.......	903,336,368	700,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing Insurance Fund

Farm Labor Housing Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama...........	142,500	100,000	--
Arizona............	300,000	200,000	--
Arkansas...........	1,426,930	970,000	--
California.........	5,468,800	3,750,000	--
Connecticut........	59,900	40,000	--
Florida............	4,338,000	2,950,000	--
Hawaii.............	146,900	100,000	--
Idaho..............	92,900	60,000	--
Louisiana..........	121,610	80,000	--
Maine..............	60,000	40,000	--
Maryland...........	79,600	50,000	--
Massachusetts......	110,000	80,000	--
Michigan...........	2,105,680	1,450,000	--
Minnesota..........	74,000	50,000	--
Mississippi........	456,390	310,000	--
New Hampshire......	150,000	100,000	--
New Jersey.........	32,000	20,000	--
New Mexico.........	57,800	40,000	--
New York...........	52,000	35,000	--
North Carolina.....	48,780	30,000	--
Oregon.............	80,000	60,000	--
Tennessee..........	33,700	20,000	--
Utah...............	16,610	10,000	--
Vermont............	458,870	310,000	--
Virginia...........	81,000	55,000	--
Washington.........	1,594,230	1,090,000	--
Total, Available or Estimate.......	17,588,200	12,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing Insurance Fund

Rural Rental Assistance Payments

	1985 Amount	1986 Amount	1987 Amount
Alabama...........	1,712,285	2,472,796	--
Alaska............	950,042	1,372,003	--
Arizona...........	1,071,559	1,547,491	--
California.........	10,969,671	15,842,861	--
Colorado...........	463,974	670,048	--
Connecticut........	486,068	701,955	--
Delaware...........	1,082,606	1,563,445	--
Florida............	8,561,425	12,363,981	--
Idaho..............	5,004,291	7,226,946	--
Illinois...........	5,446,171	7,865,087	--
Indiana............	3,744,933	5,408,244	--
Iowa...............	4,551,364	6,572,852	--
Kansas.............	497,115	717,908	--
Kentucky...........	784,337	1,132,700	--
Louisiana..........	994,230	1,435,817	--
Maine..............	5,700,252	8,232,018	--
Maryland...........	519,209	749,815	--
Massachusetts......	55,235	79,767	--
Michigan...........	7,511,960	10,848,397	--
Minnesota..........	1,502,392	2,169,679	--
Mississippi........	3,280,959	4,738,196	--
Montana............	1,889,037	2,728,052	--
Nebraska...........	165,705	239,302	--
Nevada.............	298,269	430,745	--
New Hampshire......	983,183	1,419,863	--
New Jersey.........	1,855,896	2,680,192	--
New Mexico.........	198,846	287,163	--
New York...........	3,943,779	5,695,408	--
North Carolina.....	2,408,246	3,477,868	--
North Dakota.......	1,933,225	2,791,866	--
Ohio...............	8,572,472	12,379,935	--
Oklahoma...........	740,149	1,068,886	--
Oregon.............	1,491,345	2,153,725	--
Pennsylvania.......	3,645,510	5,264,663	--
South Carolina.....	519,209	749,815	--
South Dakota.......	2,308,823	3,334,286	--
Tennessee..........	1,778,567	2,568,517	--
Texas..............	2,640,233	3,812,892	--
Utah...............	861,666	1,244,374	--
Virginia...........	1,612,862	2,329,214	--
Washington.........	6,484,589	9,364,719	--
West Virginia......	4,617,646	6,668,573	--
Wisconsin..........	1,977,413	2,855,680	--
Wyoming............	176,752	255,256	--
Total, Available or Estimate.......	115,993,500	167,513,000	--

RURAL HOUSING INSURANCE FUND

STATUS OF PROGRAM

This fund was established under the authority contained in Section 1003(a) of the Housing and Urban Development Act of 1965 (Public Law 89-117) pursuant to Section 517 of Title V of the Housing Act of 1949, as amended. This fund may be used to insure or guarantee rural housing loans for single-family homes, rental and cooperative housing, farm labor housing, and rural housing sites. Under current authority, loan programs are limited to rural areas which include towns, villages, and other places of not more than 10,000 population, which are not part of an urban area. Loans also may be made in areas with a population in excess of 10,000 but less than 20,000, if the area is not included in a standard metropolitan statistical area and has a serious lack of mortgage credit for low and moderate income borrowers.

Current Activities: During fiscal year 1985, a total of $2,718,374,263 was obligated which provided financing for 55,973 loans to low, very low, and domestic farm labor borrowers, to build, repair or refinance 71,774 units. These units provided housing to about 230,000 people. Current program activities under the Rural Housing Insurance Fund are as follows:

-- Section 502 Subsidized housing loans: These loans are made to very low and low-income rural residents to repair or purchase new or existing housing. During the fiscal year 1985, FmHA obligated 50,497 loans to very low income and low-income families for a total of $1,780,875,000. These loans provided financing to 40,801 families comprising approximately 139,000 people.

-- Section 504 Very low-income repair loans: During fiscal year 1985, FmHA made 2,652 loans for $7,896,620. These loans were made to help remove health and safety hazards, for insulation and weatherization, roof replacement or repair, installation of indoor bathrooms, running water and other needed facilities. Initial loans were made to 2,315 families under the program during fiscal year 1985.

-- Section 515 Rural rental and cooperative housing loans: These loans are made to individuals, trusts, cooperatives, public, private and non-profit corporations, and public agencies to build rental apartments for low income people and senior citizens. In FY 1985, 1,242 rental housing loans in the amount of $903,336,368 were financed providing housing for approximately 25,700 families with around 30 percent designed specifically for senior citizens.

-- Section 514--Farm labor housing loans: In FY 1985, 117 farm labor housing loans were obligated totaling $17,588,200. These loans were made primarily to help provide improved housing to migrant farm workers.

-- Section 524--Rural housing site loans: No loans were obligated for this purpose during 1985. These loans are made to develop building sites for very low and low-income housing borrowers and rural rental and cooperative housing borrowers.

-- Section 521-- Rural Rental Assistance Program: The rental assistance program is designed to reduce rents paid by low-income families living in FmHA financed rural rental and farm labor housing projects. During fiscal year 1985, $115,993,500 was obligated under the revolving fund for renewal of 10,500 units. Since inception of the program, 122,804 units have been assisted through fiscal year 1985 at a cost of $2,267,519,431 under 5 and 20 year contracts. Unliquidated balances of over $1.7 billion remain for expenditure in future years under such contracts.

An additional 4,750 units were assisted under a separate account for units in new construction projects in FY 1985.

Selected Examples of Recent Progress: Farmers Home Administration (FmHA) will put in place two new authorities during fiscal year 1986 in a continuing effort to provide more affordable housing for very low-income households.

The Agency will introduce a demonstration housing program shortly after January 1, 1986. This program will permit contractors, public bodies or nonprofit organizations the opportunity to submit proposals for single family dwellings that are more affordable than those currently being built. It is our hope that some innovative designs or techniques will emerge that can serve us in the future in providing more affordable housing.

FmHA proposed to finance mobile/manufactured homes by the spring of 1986. The Agency proposes to finance mobile/manufactured homes that have a permanent foundation and are classified as real estate by the local taxing authorities. This action could provide for more affordable dwellings being made available to low-income families.

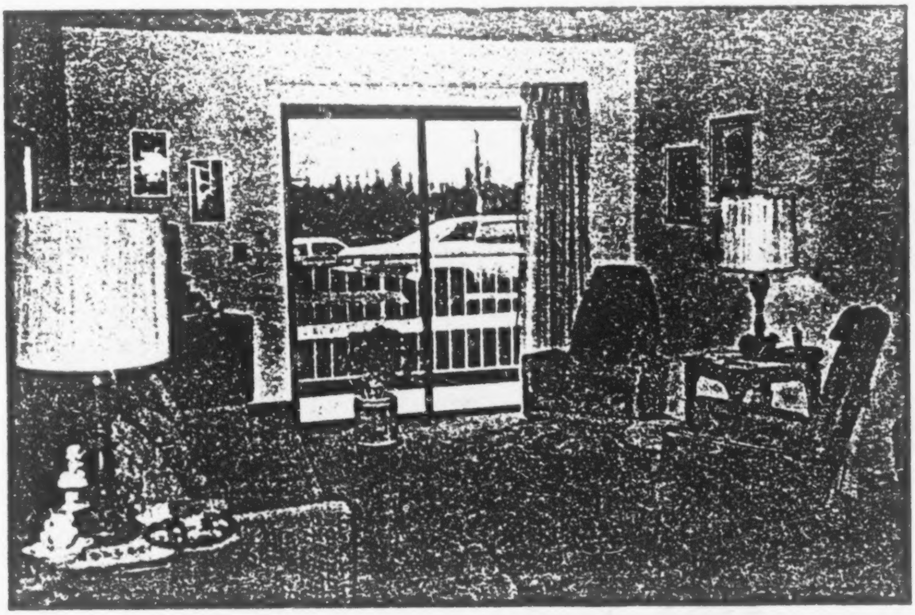
Selected Pictures of FmHA Housing Assistance: On the following pages are examples of housing projects that have received recent FmHA assistance and are indicative of the type of housing that can be provided through FmHA assistance to enhance rural America.

RIVER HILL, 40 unit Section 515 Rural Rental Housing loan project located in Pembroke, New Hampshire.

TREE LOFT APARTMENTS, LTD., 36 unit Section 515 Rural Rental Housing loan project located in McRae, Georgia.

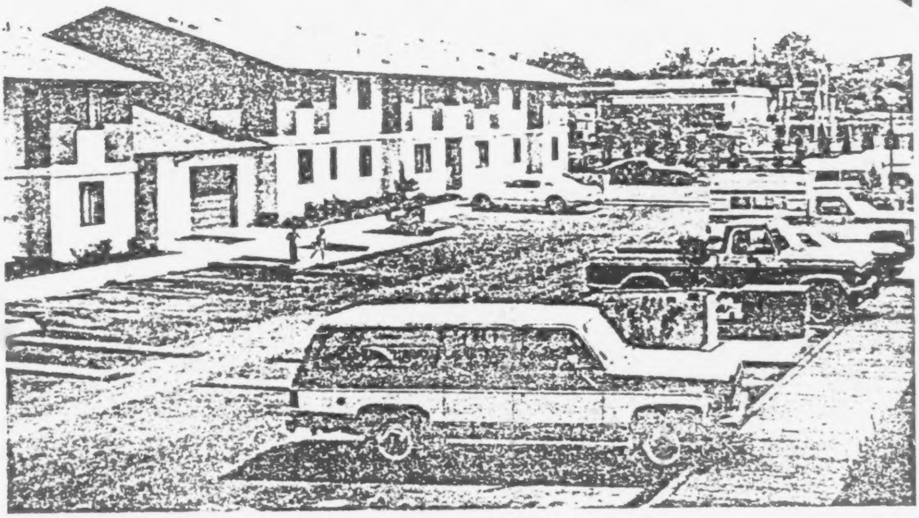
CLARIDGE COURT

CLARIDGE COURT, Point Townsend, Washington is a 44 unit Section 515 Senior Citizen Rental Housing project completed in December 1984.

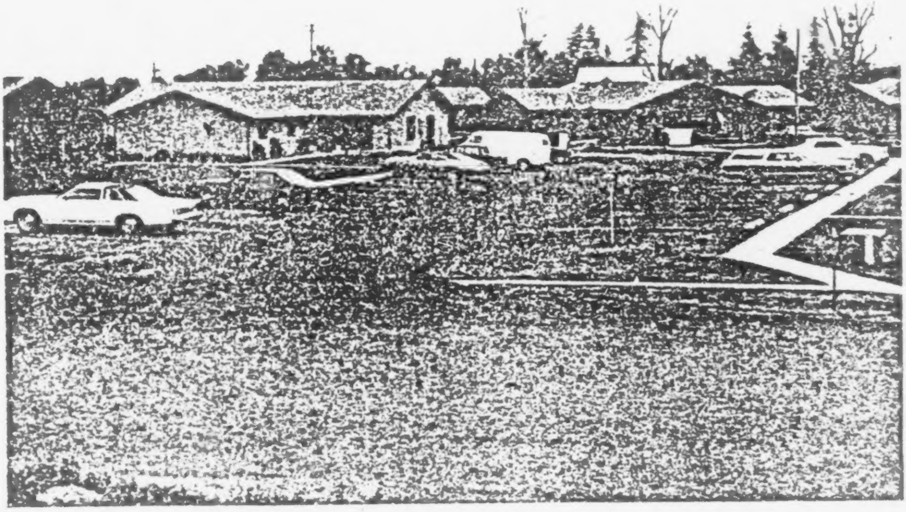


Interior of unit in Claridge Court project.

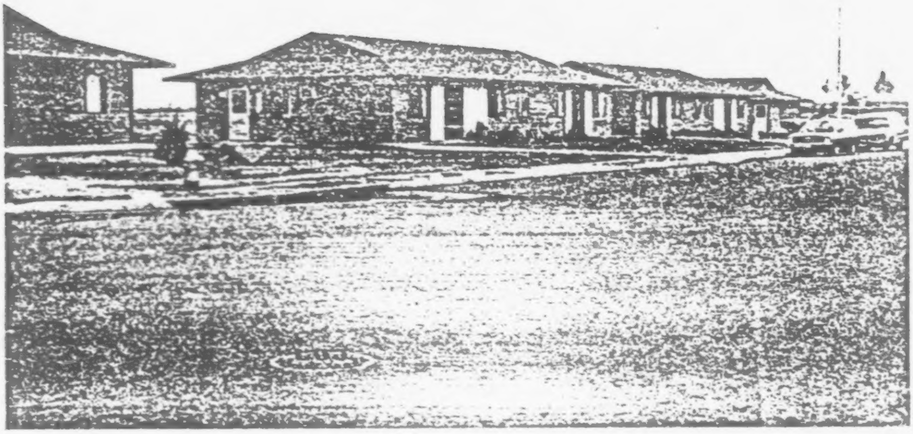
OGLETHORPE APARTMENTS, LTD., a 40 unit Section 515 Rural Rental Housing loan project located in Oglethorpe, Georgia.



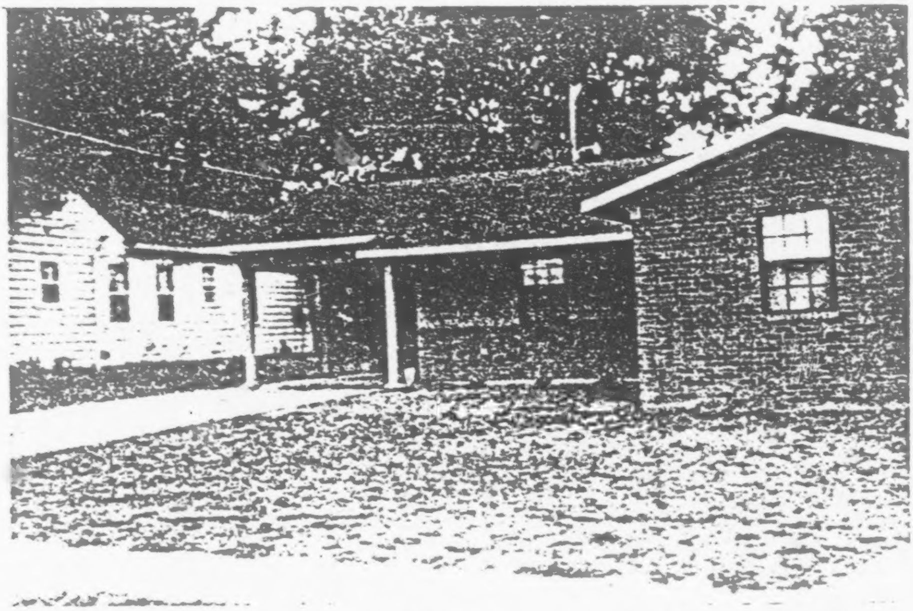
MILTON-FREEWATER ORCHARD HOMES in Northeastern Oregon is one of the largest and oldest farm labor housing complexes financed by FmHA. It includes a variety of housing and an excellent day care facility in the complex.



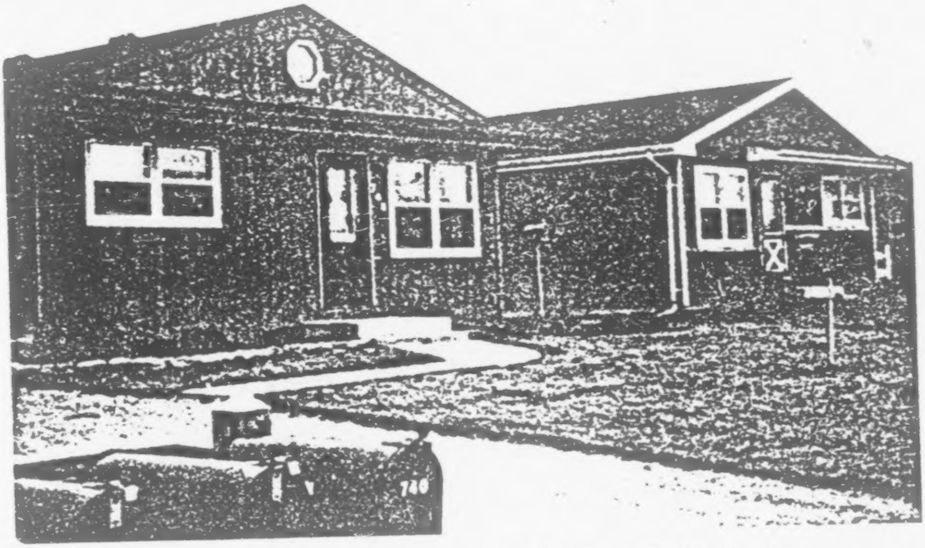
WALLA WALLA FARM CAMP operated by Housing Authority of Walla Walla County, in Southeastern Washington is a large complex which includes units predating FmHA's program. These units are typical of projects located in more rural settings where land costs are lower and where a lower density of units is possible.



HIGHLAND PARK HOMES, Pasco, Washington is a scattered site, duplex labor housing project operated by the Housing Authority of the City of Pasco. This project is part of an overall effort to upgrade a neighborhood as well as serve farmworkers.



Section 523 Mutual and Self-Help Housing in Arkansas.



Section 523 Mutual and Self-Help Housing Program in Wisconsin.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund:

> Loans may be insured, or made to be sold and insured, under this fund in accordance with and subject to the provisions of 7 U.S.C. 1928-1929, or guaranteed, as follows: real estate loans, [$692,000,000] $520,000,000, including not less than [$660,000,000] $520,000,000 for farm ownership loans of which [$260,000,000] $325,000,000 shall be guaranteed loans; [and not less than $28,000,000 for water development, use, and conservation loans of which $6,000,000 shall be guaranteed loans;] operating loans, [$3,312,000,000] $3,480,000,000 of which [$1,734,000,000] $2,175,000,000 shall be guaranteed loans; and for emergency insured and guaranteed loans [$1,300,000,000] $700,000,000 to meet the needs resulting from natural disasters.
>
> For an additional amount to reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [$1,089,943,000] $2,440,203,000.

This change deletes this language since no program is proposed for soil and water loans in fiscal year 1987.

Agricultural Credit Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1986	$5,320,000,000
Program Loan Levels, 1987	4,700,000,000
Decrease in Loan Levels	-620,000,000

SUMMARY OF INCREASES AND DECREASES
(On basis of loan levels)

Item of Change	1986 Authorized	Program Changes	1987 Estimated
Farm ownership loans:			
Insured	$ 400,000,000	-$ 205,000,000	$ 195,000,000
Guaranteed	260,000,000	+65,000,000	325,000,000
Farm operating loans:			
Insured	1,578,000,000	-273,000,000	1,305,000,000
Guaranteed	1,734,000,000	+441,000,000	2,175,000,000
Emergency disaster loans	1,300,000,000	-600,000,000	700,000,000
Soil and water loans:			
Insured	22,000,000	-22,000,000	--
Guaranteed	6,000,000	-6,000,000	--
Indian tribe land acquisitions loans	4,000,000	-4,000,000	--
Watershed protection and flood prevention loans	14,000,000	-14,000,000	--
Resource conservation and development loans	2,000,000	-2,000,000	--
TOTAL	5,320,000,000	-620,000,000	4,700,000,000

Note - The proposed legislation section for the Agricultural Credit Insurance Fund will propose no insured and guaranteed farm ownership and emergency disaster loans in FY 1987.

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Farm ownership loans:				
Insured	$ 652,592	$ 400,000	-$ 205,000(1)	$ 195,000
Guaranteed	67,927	260,000	+65,000(2)	325,000
Farm operating loans:				
Insured	3,599,967	1,578,000	-273,000(3)	1,305,000
Guaranteed	1,106,850	1,734,000	+441,000(4)	2,175,000
Emergency disaster loans	490,877	1,300,000	-600,000(5)	700,000
Soil and water loans:				
Insured	9,764	22,000	-22,000(6)	--
Guaranteed	--	6,000	-6,000(6)	--
Indian tribe land acquisition loans	1,406	4,000	-4,000(7)	--
Watershed protection and flood prevention loans	2,233	14,000	-14,000(8)	--
Resource conservation and development loans	500	2,000	-2,000(9)	--
TOTAL	5,932,116	5,320,000	-620,000	4,700,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

Note - The proposed legislation section for the Agricultural Credit Insurance Fund will propose no insured and guaranteed farm ownership and emergency disaster loans in FY 1987.

EXPLANATION OF PROGRAM

This fund is used to insure or guarantee farm ownership, soil and water, farm operating, emergency, Indian tribe land acquisition, watershed protection, flood prevention, and resource conservation and development loans.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans, and soil and water loans to individuals, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States. Soil and water and recreation loans are each contained as a separate type of loan because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water, recreation and farm ownership loans are subject to similar authorizations and limitations but not purposes. Insured loan borrowers are required to graduate to other credit sources when they are able to do so.

Farm Ownership Loans. Farm ownership loans, accompanied by supervisory assistance in farm and financial management, preserve and improve the family farm pattern of American agriculture and strengthen the economy of rural communities.

Farm ownership loans are used for:

1. Maintaining family farms: Farm ownership loans help owner-operators restructure their debts, including those who are highly leveraged, who utilize their real estate equities to refinance heavy short-term debts. In other instances the owner-operators use real estate credit and assistance to make further adjustments in their operations, to comply with local sanitation and pollution abatement requirements, to keep up with advances in agricultural technology, to better utilize their land and labor resources and to meet changing market requirements. Farm ownership loans may be used to finance income producing recreational enterprises or other nonfarm enterprises which supplement but do not supplant farm income.

2. Purchase and development of farms: One of the functions of the farm ownership loan program is to assist farmers, especially beginning farmers, in the purchase and enlargement of farms. Applicants eligible for these loans may use this assistance for combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving dwellings and essential farm buildings, developing land and water, controlling pollution, producing or saving energy, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to eligible individuals, cooperatives, corporations or partnerships, who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become owner-operators of not larger than family farms, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides for loans for similar purposes and periods of time.

Loans are made for 40 years or less. An insured loan may not exceed $200,000 and a guaranteed loan may not exceed $300,000. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than five percent per year. The applicable interest rate is increased by two percent if the project being financed involves the use of prime farm land for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized.

Soil and Water Loans. Soil and water loans are made to individuals, cooperatives, corporations or partnerships who own and/or operate a farm. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms prevailing in the community where the farm is located.

Soil and water loans may be made for soil conservation, development, conservation, and use; forestation; drainage of farmland; establishment of permanent pasture; pollution control and energy saving measures. The loan limit is $200,000 for an insured loan and $300,000 for a guaranteed loan. The repayment period may be up to 40 years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for non-farm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for insured and guaranteed operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Operating credit is needed by family farmers throughout the United States, who are unable to obtain credit from private and cooperative sources, to develop or maintain a reasonable standard of living. The use of operating loan funds for this purpose helps provide opportunity for farm operators to conduct successful farm operations.

Loans are made to assist (1) full-time and part-time operators to continue in agriculture and to improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, and (4) rural youths.

Operating loans are made to individuals, partnerships, corporations and cooperatives who operate not larger than family-size farms or ranches, who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become operators of not larger than family farms, except for rural youths, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides, for loans for similar purposes and periods of time.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other nonfarm enterprises; and refinancing existing indebtedness.

The loan limit is $200,000 for an insured loan and $400,000 for a guaranteed loan. Operating loans may be scheduled for payment over periods from 1 to 7 years depending on loan purposes. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest at a rate three percent below the cost-of-money. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized.

Insured loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when able to do so.

Emergency Disaster Loans

Subtitle C of the Consolidated Farm and Rural Development Act, contains the authorization for insured emergency (EM) loans. The Small Business Development Act of 1980, Public Law 96-302, made credit-worthy borrowers eligible for FmHA EM actual loss loans.

Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared or designated for emergency loan assistance by the President, Secretary of Agriculture or the Administrator of FmHA.

Emergency loans are made to established eligible farmers, ranchers and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, providing they are primarily engaged in agricultural or aquacultural production. Loans may be made for actual losses arising from natural disasters.

A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to $500,000 or the calculated actual loss, whichever is less, for each disaster at an interest rate of five percent on the first $100,000 borrowed. Amounts above $100,000, up to the limit of $500,000, will be subject to an interest rate of eight percent. Actual loss loans are made to borrowers who can obtain credit elsewhere at the rates prevailing in the private market for similar type loans.

Actual loss loans may be made for physical losses to repair, restore or replace damaged or destroyed farm property, livestock and livestock products, and supplies, and for production losses to compensate for loss of income based on reduced production of crops and/or livestock products resulting from the disaster. Eligible farmers may use actual loss loan funds to purchase, livestock, poultry, or other animals and pay costs incident to reorganizing a farming system to make it a sound operation. The reorganized farming operation, however, must be approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to seven years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when more than seven years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Loans to Associations and Groups

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for irrigation and drainage loans to associations and Indian tribe land acquisition loans. In addition, watershed works of improvement and flood prevention loans are made to associations under the Watershed Protection Act, as amended (Public Law 83-566), and resource conservation and development loans are made to associations under section 102 of Public Law 87-703, and other existing Departmental authorities.

Indian Tribe Land Acquisition Loans. Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in lands within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof. Loans are made for 40 years or less. The interest rate for these loans is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government, plus up to one percent additional, except, those tribes that are unable to pay the higher rate may be charged a lower interest rate.

Watershed Works of Improvement and Flood Prevention Loans. Loans are made to local organizations for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. FmHA has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. For any single plan for works of improvement, the amount of the loan may not exceed $10 million.

Resource Conservation and Development Loans. Loans are made to local sponsoring organizations when needed for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved resource conservation and development projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 30 years. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

JUSTIFICATION OF INCREASES AND DECREASES

The FmHA share of total U. S. farm real estate and operating credit has increased substantially since 1980. The total FmHA farm loan portfolio increased by 88 percent, from $16 billion in 1980 to $30 billion in 1985. In contrast, total farm debt increased by less than 30 percent, from $155 billion in 1980 to $199 billion in 1985. During the same period, FmHA farmer program delinquencies have increased from about 14 percent of the caseload to over 31 percent.

United States agriculture is being affected by an environment highlighted by global production gains, slow consumption growth, dampened world trade and deteriorating U.S. export market shares. For U.S. farmers, this has meant losses in income and financial stress. For the Federal Government, it has meant large outlays for farmer programs, therefore, contributing to the mounting budget deficits.

The FY 1987 budget proposes to continue the shift to guaranteed lending established in FY 1984 and FY 1985. The focus on guaranteed lending will facilitate graduations of loans from FmHA to private lenders, and the transfer of most loan making responsibilities to private lenders would enable FmHA to concentrate on providing supervised credit assistance to needy borrowers, insure an effective guarantee/graduation process, and allow for improved servicing of the existing portfolio. The 1987 Budget proposes an up front loan origination fee of one percent on insured loans, the same as charged on guaranteed loans. Also, the interest rate reduction program for loans guaranteed under the guaranteed loan programs in the Agricultural Credit Insurance Fund will continue in FY 1987 and FY 1988 as provided in the Food and Security Act of 1985.

The following adjustments result in a net decrease of $620,000,000 for loan programs financed through the Agricultural Credit Insurance Fund.

(1) A decrease of $205,000,000 for insured farm ownership loans ($400,000,000 available in 1986).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985 (Farm Bill), Public Law 99-198. Legislation will be proposed to terminate new real estate lending by FmHA because the priority problem to be addressed is the need for operating credit. However, real estate credit for existing FmHA borrowers will continue to be available through reamortization and rescheduling of loans secured by real estate.

Nature of Change. Under proposed legislation this program will be terminated to give priority to operating credit needs.

(2) An increase of $65,000,000 for guaranteed farm ownership loans ($260,000,000 available in 1986).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985 (Farm Bill), Public Law 99-198. Legislation will be proposed to terminate this program and concentrate the Agency's resources on the operating loan programs and servicing requirements of the Agency's delinquent borrowers.

Nature of Change. Under proposed legislation this program will be terminated to give priority to operating credit needs.

(3) A decrease of $273,000,000 for insured farm operating loans ($1,578,000,000 available in 1986).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985 (Farm Bill), Public Law 99-198. Legislation will be proposed to increase this program to $1.5 billion and to terminate the insured and guaranteed farm ownership programs and emergency disaster program. The FY 1987 Budget is focused on providing for the much needed Federal aid for farm operating credit.

Nature of Change. The program level under proposed legislation will provide 29,680 insured loans in FY 1987.

(4) An increase of $441,000,000 for guaranteed farm operating loans ($1,734,000,000 available in 1986).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985 (Farm Bill), Public Law 99-198. Legislation will be proposed to increase this program to $2.5 billion. This will provide for the much needed Federal aid for farm operating credit. The Agency will make maximum use of the guaranteed operating loan program to facilitate maximum participation of the private agricultural credit sector. The Approved Lenders Program is expected to continue to increase participation of lenders in the guaranteed loan program. Also, the Agency has coordinated and worked with the Farm Credit Administration and private lenders to increase participation in the guaranteed loan area. As a result of these efforts, more funds were obligated in the guaranteed farm operating loan program in FY 1985 than ever before in the history of the program, $1.1 billion, and it is expected that this trend will continue. The shift toward guaranteed lending will facilitate graduation of FmHA borrowers to private sector credit sources and focus FmHA staff resources on servicing requirements of its delinquent borrowers.

Nature of Change. The program level under proposed legislation will increase this program to provide 20,560 guaranteed loans in FY 1987.

(5) A decrease of $600,000,000 for emergency disaster loans ($1,300,000,000 available in 1986).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985 (Farm Bill), Public Law 99-198. Legislation will be proposed to terminate this program and to increase the insured and guaranteed operating lending because the priority problem to be addressed is the need for farm operating credit. Besides farm loans, Federal Crop Insurance is available to farmers for most crops in virtually all agricultural counties in the country for losses caused by natural hazards and disasters.

Nature of Change. Under proposed legislation this program would be terminated to give priority to guaranteed operating credit needs.

(6) A decrease of $22,000,000 for insured and $6,000,000 for guaranteed soil and water loans ($28,000,000 available in 1986).

Need for Change. Elimination of the insured and guaranteed soil and water loan programs are proposed in redirection of Agency lending to the insured and guaranteed operating lending functions. Some activities funded under the soil and water loan program are appropriate for funding through the expanded operating lending program. No guaranteed loans have been made since FY 1981.

Nature of Change. No program is proposed in FY 1987.

(7) A decrease of $4,000,000 for Indian tribe land acquisition loans ($4,000,000 available in 1986).

Need for Change. Demand for Indian tribe land acquisition loans has been low because of the decline in agricultural industry profits. These loans are limited to the acquisition of land within the defined boundaries of a tribe's reservation. Most of the available land has been acquired by the loans now outstanding.

Nature of Change. No program level is proposed in FY 1987.

(8) A decrease of $14,000,000 for watershed protection and flood prevention loans ($14,000,000 available in 1986).

Need for Change. The watershed protection and flood prevention loan programs represent a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. In FY 1985, only three loans were obligated in the amount of $2,223,000.

Nature of Change. The watershed protection and flood prevention loan programs are proposed for termination in FY 1987.

(9) A decrease of $2,000,000 for resource conservation and development loans ($2,000,000 available in 1986).

Need for Change. The resource conservation and development loan program represents a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. The level of activity in FY 1985 was minor, only one loan was obligated in the amount of $500,000.

Nature of Change. The resource conservation and development loan program is proposed for termination in FY 1987.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1986		$1,089,943,000
Budget Estimate, 1987		2,440,203,000
Increase in Appropriation		+1,350,260,000
Adjustment in 1986		
Appropriation Act, 1986	$1,089,943,000	
Less Pro-Rata Reduction, P.L. 99-190	-6,540,000	
Net Appropriation		$1,083,403,000
Budget Estimate, 1987		2,440,203,000
Increase over adjusted 1986		+1,356,800,000

PROJECT STATEMENT
(On basis of appropriation)
(in thousands of dollars)

Project	1985 Actual	1986 Actual	Increase or Decrease	1987 Estimated
Reimbursement for Interest Subsidies and Losses:				
Farm ownership loans	$ 340,240	$ 647,816	+$ 118,662	$ 766,478
Farm operating loans	156,992	164,871	+118,786	283,657
Recreation loans	6,106	43,299	-36,423	6,876
Emergency disaster loans	429,929	428,044	+289,748	717,792
Emergency livestock loans	3,779	1,459	+2,027	3,486
Economic emergency loans	121,002	119,836	+107,051	226,887
Soil and water conservation loans	13,393	11,406	+6,896	18,302
Irrigation and drainage loans	1,736	3,265	-1,201	2,064
Grazing loans	3,756	32,281	-27,759	4,522
Indian tribe land acquisition loans	5,392	8,644	-1,736	6,908
Watershed protection & flood prevention loans	6,134	14,062	-6,631	7,431
Resource conservation & development loans	1,450	2,553	-948	1,605
Inactive Loan Programs	34	29	+4	33
Total Losses	1,089,943	1,477,565	+568,476(1)	2,046,041
Amount not appropriated in FY 1986	--	-394,162	+394,162	--
Appropriation for FY 1984 losses not reimbursed in FY 1986	--	--	+394,162(2)	+394,162
Total Appropriation	1,089,943	1,083,403	+1,356,800	2,440,203

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Agricultural Credit Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1984 and 1985.

JUSTIFICATION OF INCREASES

(1) An increase of $568,476,000 for reimbursement for interest subsidies and losses incurred in 1985 ($1,083,403,000 available in 1986 for interest subsidies and losses of $1,477,565,000 incurred in 1984).

Need for Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1985. Interest subsidies resulted primarily from interest costs incurred due to the difference between the interest rate paid by the borrower and the rate the Government is charged to borrow money. Until the passage of the Agricultural Credit Act of 1978, Public Law 95-334, August 4, 1978, many of the loans made from this Fund had been subject to interest rates in effect since 1954. Most of these rates were below the Government's cost-of-money. Most of the loans currently being made from this Fund are subject to the cost-of-money interest rate. Limited resource borrowers may be charged interest at a lower rate.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1985.

(2) The increase of $394,162,000 for reimbursement of interest subsidies and losses incurred in FY 1984, not reimbursed in FY 1986.

Need for Change. The amount of reimbursement results primarily from the difference between interest rates charged to the borrowers and the rate which the Government must pay for its own borrowing. The purpose of reimbursement for losses is to replenish the Fund for losses incurred. Any losses not reimbursed results in increased Treasury borrowings in order to maintain the Fund. This additional Treasury borrowing results in increased losses (interest expenses) to the Fund.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1984 that were not reimbursed in FY 1986.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	1985 Actual	1986 Estimated	1987 Estimated
Cash balance, beginning of year......	$ 64,043	$ 105,544	$1,357,861
Outlays...........................	-2,782,291	-2,131,086	-2,369,574
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.........................	1,089,943	1,083,403	2,440,203
Treasury borrowings..............	2,585,000	2,300,000	900,000
Repayment of borrowings from Treasury	-851,000	--	--
Principal transferred on participation certificates.....	-151	--	--
Net financing	2,823,792	3,383,403	3,340,203
Cash balance, end of year...........	105,544	1,357,861	2,328,490

As of September 30, 1987, the principal amount of contingent liabilities under insurance programs is estimated to be $32.6 billion.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1985 Actual								
Farm ownership loans	$ 307,680	$ 4,941	$ 312,621	$1,030,540	$ 8,567	$ 39,992	$1,079,099	$ -766,478
Farm operating loans	648,109	1,941	650,050	883,718	37,379	12,610	933,707	-283,657
Recreation loans	4,121	186	4,307	9,938	1,135	110	11,183	- 6,876
Emergency disaster loans	813,514	4,586	818,100	1,385,050	64,669	86,173	1,535,892	-717,792
Emergency livestock loans	525	1	526	--	--	4,012	4,012	-3,486
Economic emergency loans	417,618	2,865	420,483	576,329	34,957	36,084	647,370	-226,887
Soil and water conservation loans	24,544	141	24,685	41,451	587	949	42,987	-18,302
Irrigation and drainage loans	950	9	959	2,809	--	214	3,023	-2,064
Grazing loans	2,738	6	2,744	7,023	28	215	7,266	-4,522
Indian tribe land acquisition loans	4,551	12	4,563	11,258	--	213	11,471	-6,908
Watershed protection and flood prevention loans	3,118	11	3,129	10,346	--	214	10,560	-7,431
Resource conservation and development loans	958	3	961	2,319	29	218	2,566	-1,605
Inactive loan programs	10	--	10	43	--	--	43	-33
TOTAL	2,228,436	14,702	2,243,138	3,960,824	147,351	181,004	4,289,179	-2,046,041

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1986 Estimated								
Farm ownership loans	$ 321,358	$ 8,611	$ 329,969	$1,098,764	$ 11,722	$ 34,001	$1,144,487	$ -814,518
Farm operating loans	676,931	3,382	680,313	1,033,279	51,143	10,713	1,095,135	-414,822
Recreation loans	4,306	324	4,630	10,449	1,553	68	12,070	-7,440
Emergency disaster loans	849,679	7,992	857,671	1,455,807	88,484	60,026	1,604,317	-746,646
Emergency livestock loans	559	2	561	--	--	3,417	3,417	-2,856
Economic Emergency loans	436,174	4,993	441,167	605,778	47,831	44,451	698,060	-256,893
Soil and water conservation loans	25,626	246	25,872	43,588	802	584	44,974	-19,102
Irrigation and drainage loans	1,001	16	1,017	2,956	38	131	3,125	-2,108
Grazing loans	2,863	10	2,873	7,369	--	133	7,502	-4,629
Indian tribe land acquisition loans	4,748	21	4,769	11,823	--	131	11,954	-7,185
Watershed protection and flood prevention loans	3,258	19	3,277	10,866	--	131	10,997	-7,720
Resource conservation and development loans	1,001	5	1,006	2,456	40	134	2,630	-1,624
Inactive loan programs	--	--	--	--	--	--	--	--
TOTAL	2,327,504	25,621	2,353,125	4,283,135	201,613	153,920	4,638,668	-2,285,543

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AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1987 Estimated								
Farm ownership loans	$ 335,514	$16,905	$ 352,419	$1,125,459	$ 13,771	$ 51,146	$1,190,376	$ -837,957
Farm operating loans	706,750	6,641	713,391	1,105,474	60,086	20,520	1,186,080	-472,689
Recreation loans	4,496	636	5,132	10,625	1,824	47	12,496	-7,364
Emergency disaster loans	887,107	15,690	902,797	1,480,327	103,956	39,209	1,623,492	-720,695
Emergency livestock loans	583	3	586	--	--	4,794	4,794	-4,208
Economic emergency loans	455,388	9,802	465,190	615,981	56,194	75,712	747,887	-282,697
Soil and water conservation loans	26,755	482	27,237	44,322	943	403	45,668	-18,431
Irrigation and drainage loans	1,045	31	1,076	3,006	--	91	3,097	-2,021
Grazing loans	2,989	21	3,010	7,493	45	91	7,629	-4,619
Indian tribe land acquisition loans	4,957	41	4,998	12,022	--	91	12,113	-7,115
Watershed protection and flood prevention loans	3,402	38	3,440	11,049	--	91	11,140	-7,700
Resource conservation and development loans	1,045	10	1,055	2,498	47	92	2,637	-1,582
Inactive loan programs	--	--	--	--	--	--	--	--
TOTAL	2,430,031	50,300	2,480,331	4,418,256	236,866	192,287	4,847,409	-2,367,078

The following schedules present an analysis of outlays by loan program for fiscal years 1985, 1986 and 1987.

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1985 Actual
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans Indiv.	Grazing Loans	Recreation Loans	Irrig. & Drain. Loans	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Emergency Live-Stock Loans	Economic Emergency Loans	Inactive Loans	Total
Funds for program operations:														
Funds expended:														
Loans made by the fund	$3,443,969	$ $660,873	$ 9,435	--	--	$ 14	$ 499	$ 1,278	$ 2,001	$ 493,175	--	$ 27,649	--	$4,638,893
Purchase of loans and certificates of beneficial ownership	642,671	1,005,323	32,873	$1,038	$ 2,865	500	344	545	2,268	1,186,908	--	1,373,840	--	4,249,175
Collections disbursed to investors	36	12,488	29	1,398	1,263	98	38	170	79	--	--	--	--	15,599
Interest expense	861,690	992,848	40,438	6,921	9,826	2,303	2,261	9,738	10,969	1,352,015	--	562,566	$42	3,851,617
Interest transferred on participation certificates	2	35	--	--	--	--	--	--	--	--	--	--	--	37
Administrative expense	--	--	--	--	--	--	--	--	--	60,808	$ 818	12,034	--	73,660
Loss settlement, guaranteed loans	4,276	3,281	--	--	--	--	--	--	--	121	2,847	11,553	--	22,078
Other	7,161	86,010	3,602	14	55	7	6	1	2	102,021	185	39,800	-1	238,863
Total funds expended	4,959,805	2,760,858	86,377	9,371	14,009	2,922	3,148	11,732	15,319	3,195,048	3,850	2,027,442	41	13,089,922
Funds received:														
Repayments on loans	1,379,151	183,010	10,808	2,063	3,104	500	1,123	2,371	1,160	634,873	--	221,488	28	2,439,679
Payment of interest on loans	238,490	279,373	12,623	2,238	3,553	751	906	2,872	4,418	262,109	--	179,469	9	986,811
Sale of cert. of benef. owner	2,521,458	1,380,590	38,590	1,038	2,865	500	344	545	2,268	1,464,607	--	1,402,195	--	6,815,000
Collections received for investors	1	9,915	30	814	1,101	65	36	202	79	--	--	--	--	12,243
Insurance premiums and guarantee fees	3,305	314	--	--	--	--	--	--	--	--	--	--	--	3,619
Other	2,167	20,119	483	92	525	1	-2	-7	-8	16,882	37	9,990	--	50,279
Total funds received	4,144,572	1,873,321	62,534	6,245	11,148	1,817	2,407	5,983	7,917	2,378,471	37	1,813,142	37	10,307,631
OUTLAYS	815,233	887,537	23,843	3,126	2,861	1,105	741	5,749	7,402	816,577	3,813	214,300	4	2,782,291

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1986 Estimated
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans Indiv.	Grazing Loans	Recreation Loans	Irrig. & Drain. Loans	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Emergency Live-Stock Loans	Economic Emergency Loans	Inactive Loans	Total
Funds for program operations:														
Funds expended:														
Loans made by the fund	$1,873,237	$ 287,460	$ 1,965	- -	- -	$ 61	$ 286	$ 9,973	$ 1,678	$1,261,820	- -	$ 2,334	- -	$3,438,814
Purchase of loans and certificates of beneficial ownership	194,292	303,930	9,943	$ 321	$ 874	154	103	167	694	358,819	- -	415,275	- -	1,284,572
Collections disbursed to investors	32	11,207	26	1,255	1,134	88	34	153	71	- -	- -	- -	- -	14,000
Interest expense	911,209	1,049,888	42,765	7,331	10,426	2,444	2,403	10,304	11,607	1,429,515	- -	594,874	$41	4,072,807
Interest transferred on participation certificates	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Administrative expense	- -	- -	- -	- -	- -	- -	- -	- -	- -	62,548	$ 842	12,379	- -	75,769
Loss settlement, guaranteed loans	8,231	6,316	- -	- -	- -	- -	- -	- -	- -	233	5,481	22,239	- -	42,500
Interest buy down	104,400	15,600	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	120,000
Other	9,822	117,968	4,941	20	75	10	9	1	3	139,922	256	54,591	-1	327,617
Total funds expended	3,101,223	1,792,369	59,640	8,927	12,509	2,757	2,835	20,598	14,053	3,252,857	6,579	1,101,692	40	9,376,079
Funds received:														
Repayments on loans	1,441,387	191,301	11,297	2,168	3,264	536	1,173	2,499	1,224	663,586	- -	231,514	51	2,550,000
Payment of interest on loans	566,101	663,075	29,982	5,317	8,432	1,804	2,155	6,816	10,494	622,177	- -	426,005	- -	2,342,358
Sale of cert. of benef. owner.	834,263	456,867	12,787	361	947	180	113	180	767	484,650	- -	464,015	- -	2,255,130
Collections received for investors	1	8,908	27	731	989	59	32	182	71	- -	- -	- -	- -	11,000
Insurance premiums and guarantee fees	16,039	1,586	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	17,625
Other	2,969	27,560	662	126	720	1	-3	-9	-11	23,128	51	13,686	- -	68,880
Total funds received	2,860,760	1,349,297	54,755	8,703	14,352	2,580	3,470	9,668	12,545	1,793,541	51	1,135,220	51	7,244,993
OUTLAYS	240,463	443,072	4,885	224	-1,843	177	-635	10,930	[illegible]	[illegible]459,316	6,528	-33,528	-11	2,131,086

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1987 Estimated
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans Indiv.	Grazing Loans	Recreation Loans	Irrig. & Drain. Loans	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Emergency Live-Stock Loans	Economic Emergency Loans	Inactive Loans	Total
Funds for program operations:														
Funds expended:														
Loans made by the fund	$1,334,000	$ 203,000	$ 160	- -	- -	- -	$ 270	$ 9,312	$ 827	$ 730,000	- -	- -	- -	$2,277,569
Purchase of loans and certificates of beneficial ownership	60,835	95,164	3,113	$ 101	$ 274	$ 48	32	52	217	112,351	- -	$130,029	- -	402,216
Collections disbursed to investors	30	10,407	24	1,165	1,052	82	32	142	66	- -	- -	- -	- -	13,000
Interest expense	939,389	1,082,357	44,087	7,558	10,749	2,519	2,477	10,623	11,967	1,473,766	- -	613,272	- -	4,198,764
Interest transferred on participation certificates	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Administrative expense	- -	- -	- -	- -	- -	- -	- -	- -	- -	40,338	$ 543	7,984	- -	48,865
Loss settlement, guaranteed loans	22,351	17,150	- -	- -	- -	- -	- -	- -	- -	632	14,882	60,385	- -	115,400
Interest buy down	160,950	24,050	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	185,000
Other	10,515	126,287	5,289	21	81	11	11	1	3	149,785	274	58,440	- -	350,718
Total funds expended	2,528,070	1,558,415	52,673	8,845	12,156	2,660	2,822	20,130	13,080	2,506,872	15,699	870,110	- -	7,591,532
Funds received:														
Repayments on loans	1,526,229	202,554	11,961	2,295	3,456	567	1,242	2,646	1,296	702,621	- -	245,133	- -	2,700,000
Payment of interest on loans ..	537,866	630,003	28,487	5,052	8,012	1,714	2,048	6,476	9,970	591,145	- -	404,757	- -	2,225,530
Sale of cert. of benef. owner..	61,301	33,570	940	27	70	13	8	13	56	35,612	- -	34,095	- -	165,705
Collections received for investors	1	8,098	25	665	899	53	29	165	65	- -	- -	- -	- -	10,000
Insurance premiums and guarantee fees	32,578	3,222	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	35,800
Other	3,660	33,979	816	155	888	2	-3	-12	-14	28,515	63	16,874	- -	84,923
Total funds received	2,161,635	911,426	42,229	8,194	13,325	2,349	3,324	9,288	11,373	1,357,893	63	700,859	- -	5,221,958
OUTLAYS	366,435	646,989	10,444	651	-1,169	311	-502	10,842	1,707	1,148,979	15,636	169,251	- -	2,369,574

Agricultural Credit Insurance Fund
Proposed for Later Transmittal, Proposed Legislation

On Basis of Loan Levels - Proposed Legislation

Budget Estimate, Current Law, 1987	$4,700,000,000
Change due to proposed legislation	4,000,000,000
Net Request, President's 1987 Budget Request	-700,000,000

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION
(On basis of loan levels)

Item of Change	FY 1987 Current Law	FY 1987 Program Changes	FY 1987 President's Request
Farm ownership loans:			
Insured	$ 195,000,000	-$195,000,000	--
Guaranteed	325,000,000	-325,000,000	--
Farm operating loans:			
Insured	1,305,000,000	+195,000,000	$1,500,000,000
Guaranteed	2,175,000,000	+325,000,000	2,500,000,000
Emergency disaster loans	700,000,000	-700,000,000	--
Soil and water loans:			
Insured	--	--	--
Guaranteed	--	--	--
Indian tribe land acquisitions loans	--	--	--
Watershed protection and flood prevention loans	--	--	--
Resource conservation and development loans	--	--	--
TOTAL	4,700,000,000	-700,000,000	4,000,000,000

EXPLANATION OF PROPOSED LEGISLATION

Legislation will be proposed to amend Public Law 99-198 which authorizes the loan levels for the farm ownership, farm operating and emergency disaster loans. Beginning in FY 1987, the proposed legislation budget intends to maintain a $4 billion farm operating loan program level each year while shifting the mix from insured to guaranteed loans at the rate of $500 million per year. Also, no program is proposed for insured and guaranteed farm ownership and emergency disaster loans.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Agricultural Credit Insurance Fund

Farm Ownership Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	12,361,890	9,900,000	7,800,000
Alaska.............	350,000	500,000	400,000
Arizona............	1,466,700	3,400,000	2,700,000
Arkansas...........	19,796,310	12,700,000	--
California.........	21,848,280	24,000,000	11,000,000
Colorado...........	12,411,790	9,300,000	7,300,000
Connecticut........	2,618,500	1,800,000	1,400,000
Delaware...........	2,501,200	2,000,000	1,600,000
Florida............	5,775,180	8,500,000	6,700,000
Georgia............	12,714,960	11,200,000	8,800,000
Hawaii.............	3,869,320	2,100,000	1,700,000
Idaho..............	9,117,440	8,300,000	6,500,000
Illinois...........	37,550,640	38,900,000	31,600,000
Indiana............	20,732,500	22,700,000	18,900,000
Iowa...............	52,687,620	40,100,000	32,600,000
Kansas.............	25,917,614	24,300,000	20,100,000
Kentucky...........	26,604,140	21,800,000	18,200,000
Louisiana..........	12,468,120	10,300,000	8,100,000
Maine..............	3,457,450	2,800,000	2,200,000
Maryland...........	4,000,640	6,300,000	5,000,000
Massachusetts......	4,061,140	2,100,000	1,700,000
Michigan...........	13,059,330	14,000,000	11,000,000
Minnesota..........	35,889,010	42,200,000	34,200,000
Mississippi........	15,739,010	10,500,000	8,300,000
Missouri...........	29,693,210	25,400,000	21,000,000
Montana............	12,219,360	10,000,000	7,900,000
Nebraska...........	36,102,080	27,400,000	22,600,000
Nevada.............	445,300	1,800,000	1,400,000
New Hampshire......	1,232,960	1,700,000	1,300,000
New Jersey.........	2,491,980	3,000,000	2,400,000
New Mexico.........	6,659,630	4,900,000	3,900,000
New York...........	13,311,950	12,100,000	10,500,000
North Carolina.....	21,203,830	18,000,000	15,200,000
North Dakota.......	20,168,244	17,700,000	14,900,000
Ohio...............	22,025,800	22,500,000	18,700,000
Oklahoma...........	24,203,020	17,500,000	14,800,000
Oregon.............	7,615,530	8,300,000	6,500,000
Pennsylvania.......	14,118,920	14,400,000	12,300,000
Rhode Island.......	315,140	1,100,000	900,000
South Carolina.....	8,999,760	7,300,000	5,800,000
South Dakota.......	16,868,110	14,200,000	12,200,000
Tennessee..........	19,681,350	15,900,000	13,500,000
Texas..............	29,098,400	42,800,000	34,700,000
Utah...............	4,265,850	4,400,000	3,500,000
Vermont............	3,517,790	3,100,000	2,400,000
Virginia...........	11,124,500	11,700,000	9,200,000
Washington.........	10,901,540	9,000,000	7,100,000
West Virginia......	4,646,930	2,900,000	2,300,000
Wisconsin..........	30,221,820	23,900,000	19,800,000
Wyoming............	4,079,600	3,500,000	2,800,000
Puerto Rico........	8,207,370	5,300,000	4,200,000
Virgin Islands.....	100,000	500,000	400,000
Total, Available or Estimate.......	720,518,758	660,000,000	520,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Agricultural Credit Insurance Fund

Soil and Water Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	45,420	130,253	--
Arizona............	57,500	164,895	--
Arkansas...........	804,820	2,308,022	--
California.........	1,147,470	3,290,657	--
Colorado...........	63,840	183,077	--
Connecticut........	27,400	78,576	--
Florida............	265,500	761,387	--
Georgia............	104,500	299,679	--
Idaho..............	528,250	1,514,888	--
Illinois...........	26,500	75,995	--
Indiana............	42,500	121,879	--
Iowa...............	103,700	297,385	--
Kansas.............	513,580	1,472,819	--
Kentucky...........	115,900	332,372	--
Louisiana..........	51,800	148,549	--
Maine..............	40,200	115,283	--
Massachusetts......	199,000	570,682	--
Michigan...........	498,700	1,430,146	--
Minnesota..........	253,710	727,576	--
Mississippi........	337,230	967,091	--
Missouri...........	255,550	732,853	--
Montana............	374,300	1,073,398	--
Nebraska...........	44,100	126,467	--
Nevada.............	294,900	845,699	--
New Jersey.........	43,800	125,607	--
New Mexico.........	103,850	297,815	--
New York...........	150,650	432,026	--
North Carolina.....	59,120	169,541	--
North Dakota.......	307,200	880,972	--
Ohio...............	186,600	535,122	--
Oklahoma...........	367,850	1,054,901	--
Oregon.............	240,510	689,722	--
Pennsylvania.......	60,500	173,498	--
South Dakota.......	41,200	118,151	--
Tennessee..........	51,450	147,545	--
Texas..............	1,314,250	3,769,025	--
Utah..............	18,000	51,619	--
Vermont............	196,410	563,254	--
Virginia...........	80,000	229,420	--
Washington.........	132,420	379,747	--
Wisconsin..........	157,050	450,380	--
Wyoming............	4,000	11,471	--
Puerto Rico........	52,500	150,556	--
Total, Available or Estimate.......	9,763,730	28,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Agricultural Credit Insurance Fund

Indian Land Acquisition Loan Program

	1985 Amount	1986 Amount	1987 Amount
Arizona............	--	200,000	--
Connecticut........	450,000	450,000	--
Idaho..............	--	300,000	--
Kansas.............	--	300,000	--
Montana............	--	487,500	--
Nebraska...........	--	200,000	--
North Dakota.......	--	387,500	--
Oklahoma...........	--	100,000	--
Oregon.............	--	250,000	--
South Dakota.......	--	825,000	--
Washington.........	956,000	200,000	--
Wisconsin..........	--	100,000	--
Wyoming............	--	200,000	
Total, Available or Estimate.......	1,406,000	4,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Agricultural Credit Insurance Fund

Farm Operating Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	66,700,740	55,322,000	58,129,000
Alaska.............	55,100	504,000	530,000
Arizona............	10,587,670	11,520,000	12,105,000
Arkansas...........	152,637,193	99,243,000	104,278,000
California.........	49,750,170	69,712,000	73,248,000
Colorado...........	32,942,554	34,004,000	35,730,000
Connecticut........	4,354,030	5,758,000	6,050,000
Delaware...........	2,993,900	5,649,000	5,936,000
Florida............	20,621,060	28,194,000	29,624,000
Georgia............	98,807,065	76,961,000	80,865,000
Hawaii.............	1,384,530	6,851,000	7,198,000
Idaho..............	44,788,231	39,943,000	41,970,000
Illinois...........	180,092,165	159,358,000	167,442,000
Indiana............	84,806,705	86,141,000	90,511,000
Iowa...............	614,083,234	291,244,000	313,362,000
Kansas.............	114,920,917	90,932,000	95,545,000
Kentucky...........	83,123,180	83,840,000	88,092,000
Louisiana..........	181,542,442	134,371,000	111,804,000
Maine..............	14,507,970	17,752,000	18,653,000
Maryland...........	6,511,940	19,228,000	20,204,000
Massachusetts......	2,657,070	6,113,000	6,423,000
Michigan...........	118,468,973	67,946,000	71,393,000
Minnesota..........	386,618,183	173,211,000	189,341,000
Mississippi........	165,704,380	100,595,000	105,698,000
Missouri...........	144,747,440	126,757,000	133,187,000
Montana............	62,916,840	48,531,000	50,992,000
Nebraska...........	296,166,406	129,460,000	136,027,000
Nevada.............	2,678,050	8,784,000	9,230,000
New Hampshire......	1,632,500	9,773,000	10,269,000
New Jersey.........	4,029,330	9,319,000	9,792,000
New Mexico.........	22,435,593	21,484,000	22,574,000
New York...........	48,776,284	49,919,000	52,452,000
North Carolina.....	84,445,237	82,825,000	87,027,000
North Dakota.......	182,169,051	120,465,000	126,576,000
Ohio...............	121,788,770	102,785,000	107,999,000
Oklahoma...........	159,209,880	100,692,000	105,799,000
Oregon.............	28,505,590	30,813,000	32,376,000
Pennsylvania........	26,916,800	49,003,000	51,489,000
Rhode Island.......	400,490	3,211,000	3,374,000
South Carolina.....	48,267,280	39,983,000	42,011,000
South Dakota.......	169,817,869	56,543,000	59,412,000
Tennessee..........	87,521,683	77,308,000	81,230,000
Texas..............	367,861,771	261,689,000	282,308,000
Utah...............	11,165,910	16,308,000	17,135,000
Vermont............	8,364,370	11,533,000	12,110,000
Virginia...........	28,283,985	41,121,000	43,207,000
Washington.........	31,274,805	34,309,000	36,050,000
West Virginia......	6,598,700	9,056,000	9,515,000
Wisconsin..........	294,727,523	184,845,000	201,566,000
Wyoming............	20,479,230	15,059,000	15,823,000
Puerto Rico........	6,870,230	5,175,000	5,437,000
Trust Territories..	35,500	354,000	372,000
Virgin Islands.....	71,000	504,000	530,000
Total, Available or Estimate.......	4,706,817,519	3,312,000,000	3,480,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Agricultural Credit Insurance Fund

Emergency Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	996,300	--	--
Arizona............	1,775,830	--	--
Arkansas...........	6,751,610	--	--
California.........	4,343,940	--	--
Colorado...........	55,790	--	--
Connecticut........	1,028,920	--	--
Florida............	5,632,070	--	--
Georgia............	4,157,680	--	--
Hawaii.............	53,000	--	--
Idaho..............	984,880	--	--
Illinois...........	36,239,330	--	--
Indiana............	676,400	--	--
Iowa...............	43,881,210	--	--
Kansas.............	12,883,440	--	--
Kentucky...........	2,257,280	--	--
Louisiana..........	19,482,780	--	--
Maine..............	6,966,480	--	--
Maryland...........	9,580	--	--
Massachusetts......	1,031,870	--	--
Michigan...........	61,696,310	--	--
Minnesota..........	14,895,940	--	--
Mississippi........	9,189,410	--	--
Missouri...........	59,264,070	--	--
Montana............	33,903,040	--	--
Nebraska...........	18,726,340	--	--
Nevada.............	299,960	--	--
New Hampshire......	32,400	--	--
New Jersey.........	3,774,960	--	--
New Mexico.........	1,264,590	--	--
New York...........	11,930,890	--	--
North Carolina.....	3,203,240	--	--
North Dakota.......	5,208,530	--	--
Ohio...............	1,519,050	--	--
Oklahoma...........	10,116,830	--	--
Oregon.............	1,655,030	--	--
Pennsylvania.......	673,970	--	--
Rhode Island.......	21,000	--	--
South Carolina.....	7,240,130	--	--
South Dakota.......	36,973,110	--	--
Tennessee..........	304,640	--	--
Texas..............	55,361,348	--	--
Utah...............	588,930	--	--
Vermont............	8,060	--	--
Virginia...........	322,170	--	--
Washington.........	123,600	--	--
West Virginia......	13,600	--	--
Wisconsin..........	2,373,720	--	--
Wyoming............	885,820	--	--
Puerto Rico........	81,510	--	--
Virgin Islands.....	16,050	--	--
Total, Available or Estimate.......	490,876,638	1,300,000,000 1/	700,000,000 1/

1/ Cannot be distributed by geographic area in advance.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Agricultural Credit Insurance Fund

Insured Watershed and Flood Prevention Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama	--	300,000	--
Arkansas	33,000	500,000	--
California	--	300,000	--
Colorado	--	500,000	--
Florida	--	250,000	--
Georgia	--	100,000	--
Idaho	--	100,000	--
Illinois	--	300,000	--
Indiana	1,000,000	1,000,000	--
Kentucky	--	600,000	--
Louisiana	--	300,000	--
Maryland	--	250,000	--
Massachusetts	1,200,000	300,000	--
Michigan	--	350,000	--
Minnesota	--	400,000	--
Mississippi	--	1,000,000	--
Missouri	--	1,700,000	--
Nebraska	--	100,000	--
New York	--	400,000	--
North Carolina	--	150,000	--
North Dakota	--	100,000	--
Oklahoma	--	750,000	--
Oregon	--	1,000,000	--
South Carolina	--	1,000,000	--
Tennessee	--	1,000,000	--
Virginia	--	450,000	--
Wisconsin	--	150,000	--
Wyoming	--	300,000	--
Puerto Rico	--	350,000	--
Total, Available or Estimate	2,233,000	14,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Agricultural Credit Insurance Fund

Resource Conservation and Development Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	--	100,000	--
Arkansas...........	--	50,000	--
California.........	--	75,000	--
Colorado...........	--	50,000	--
Florida............	--	50,000	--
Hawaii.............	--	50,000	--
Idaho..............	--	150,000	--
Illinois...........	--	50,000	--
Louisiana..........	--	110,000	--
Maine..............	--	125,000	--
Massachusetts......	--	50,000	--
Montana............	--	75,000	--
New Hampshire......	--	25,000	--
New Mexico.........	--	150,000	--
Oklahoma...........	--	50,000	--
Oregon.............	500,000	100,000	--
Pennsylvania.......	--	50,000	--
South Dakota.......	--	125,000	--
Tennessee..........	--	100,000	--
Utah...............	--	75,000	--
Vermont............	--	50,000	--
Washington.........	--	50,000	--
Wisconsin..........	--	50,000	--
Wyoming............	--	140,000	--
Puerto Rico........	--	100,000	--
Total, Available or Estimate.......	500,000	2,000,000	--

AGRICULTURAL CREDIT INSURANCE FUND

STATUS OF PROGRAM

During the last few years, farmers have been affected directly or indirectly by lower commodity prices, lower farm exports and lower farmland values. Most farmers remain financially sound despite those adverse conditions. Nevertheless, about 214,000 farmers (out of 1.7 million farms covered in a recent USDA survey) are estimated to be experiencing financial stress due to a combination of a high debt load (technically, a debt/asset ratio of 40 percent or more) and an inability to generate enough cash to pay their bills. More than half of these farms, 129,000, have annual sales of at least $40,000. An estimated 38,000 of those farms (2 percent of the survey total) are technically insolvent, their debts exceed the value of their assets.

The above conclusions are based on USDA's Bulletin Number 495 "Financial Characteristics of U.S. Farms" January 1985, which provides financial details for about 1.7 million U.S. farms. The survey's estimate of the total number of U.S. farms is less than that counted by the 1982 Census of Agriculture, primarily because of differences in definition. Most of the farms undercounted by the survey are in the smallest sales classes.

The degree of financial stress is based on two measures: the farm's debt/asset ratio and its estimated cash flow. The debt/asset ratio, which compares the amount of money invested by the farm operator with the amount owed to creditors, indicates the farm's overall financial soundness. The farm's cash flow position indicates the ability of the farm's business and household to generate income from farm or nonfarm sources, to meet production expenses, repay debt installments on principal and interest and provide for family living expenses.

The degree of financial difficulty identified in the survey varied considerably across regions and for different farm types.

Commercial farms: The survey indicated that nearly a third of all farms with annual sales over $40,000 face financial difficulties. About 20 percent show financial stress, high debt load and negative cash flow, while an additional 10 percent are considered potentially at risk because of high debt loads, even though they had positive cash flow last year. This development is especially critical because commercial farms, although only 34 percent of all farms, account for 90 percent of all farm sales. Commercial farms made up half of the survey's financially stressed farms. Only 9 percent of the smaller farms, annual farm sales less than $40,000, are financially stressed.

Type of farm: Survey data show that farms producing cash grains, general livestock or dairy products account for more than three-fourths of the financially stressed farms.

Geographical distribution: Survey data indicate that 60 percent of the financially stressed farms are concentrated in the Corn Belt, Lake States and Northern Plains. A contributing factor to this concentration is the steep drop in farmland value in those regions, down more than 20 percent in 1984 alone, compared with a national decline of 12 percent.

Current Activities

Survey data indicate that more than 80 percent of all farms have a debt/asset ratio of less than 40 percent, which usually indicates a strong financial condition. But the data also indicate that about 320,000 farms, 18 percent of the total, are estimated to have debt/asset ratios in excess of 40 percent. Approximately 65 percent of these farms have sales of more than $40,000 per year. About 196,000 farms, 11.6 percent of the total, have debt-asset ratios between 40 and 70 percent. Again, nearly 65 percent of these farms have sales in excess of $40,000 per year. Also, about 123,000 farms, 7 percent of the total, have debt/asset ratios above 70 percent. Nearly one-third of these have annual sales above $40,000. An estimated 50,600 of these farms are technically insolvent, their debts exceed the value of their assets.

A large debt/asset ratio does not necessarily mean that a farm is in financial distress. Farms with less than $40,000 in sales often obtain a large share of total income from off-farm sources and often qualify for and repay their loans on the basis of off-farm income. Very large farms with sales over $500,000 tend to be highly specialized and typically may have relatively high debt/asset ratios along with positive cash flows. Both cash flow and debt level are cited as measures of financial pressure but neither alone is a fully adequate measure of distress.

Conditions in the farm economy indicate a critical need for Farmers Home Administration (FmHA) credit services as a lender of last resort. Many farmers are denied credit in the commercial market today due to eroded debt/equity positions and an inadequate cash flow to service additional debts. They will need to utilize their unencumbered equity in real estate and chattel property to obtain financing to remain in farming. Private and commercial lenders require senior lien priority and limited loan amounts in relation to market value of security. FmHA typically serves farm borrowers who are highly leveraged. FmHA has found it necessary, during these times of economic stress, to assist applicants and borrowers with some of the most lenient lending policies in its history.

The adequate servicing and supervision of delinquent farmer program loans to assist borrowers to overcome financial and management difficulties and to protect the Government's interest is, and continues to be, a prime concern of FmHA. The Agency makes every effort possible to assist financially pressed farm borrowers to overcome their difficulties. Borrowers and the agricultural community can be assured that the Agency understands delinquent borrower problems and will continue to work with them on a fair but firm basis, by using all available authorities to assist them to remain in farming, when their farming operations are feasible. Within the broad authorities of FmHA, it was possible to continue assistance to most delinquent borrowers in FY 1985, including additional loans or subordinations for annual financing.

One such authority available to borrowers in FY 1985 that assisted them to remain in farming was the debt set-aside program. The debt set-aside program permitted a 5-year set-aside of a portion of the indebtedness of existing farmer program loans, with no interest accrual during the set-aside period. No more than $200,000 or 25 percent, whichever is less, of a FmHA borrower's indebtedness could be set-aside.

Based on the farm credit initiative report national summary for FY 1985, of the 108,710 borrowers requesting assistance, 108,290 or 99.6 percent of the requests have been completed. Of the 108,290 requests handled, 29,196 or 27.0 percent have been rescheduled or reamortized without set-aside, 15,794 or 14.6 percent have been granted a set-aside, 10,440 or 9.6 percent were found to have adequate cash flow without any servicing actions, 21,539 or 19.9 percent were projected to have inadequate flow even if all available servicing actions were taken and 4,622 or 4.3 percent were rejected on the basis of a county committee decision.

For guaranteed loans, activity was concentrated in the regular guaranteed loan program. During FY 1985, 397 guaranteed farm operating loans in the amount of $57.2 million and 25 guaranteed farm ownership loans in the amount of $4.2 million were obligated under the debt adjustment program. The objective of the debt adjustment program is to provide lenders with a tool to enable them to continue to provide credit to operators of not larger than family farms who do not have the ability to repay their loans and/or do not have adequate security for their loans without debt adjustment. Lenders that participate in this program must write down existing indebtedness to the extent necessary to assure that the new guaranteed loan will show a positive cash flow for at least a five year period.

The guidance of the FmHA county supervisor is often the only assistance a young, inexperienced or minority farmer receives. Also, FmHA provides advice in debt management to those farmers who have experienced severe reductions in borrowing capacity during recent years. Characteristically, commercial lenders do not provide this type of case-by-case supervision to farm families.

The following table reflects the number and amount of loans for fiscal year 1985:

Obligations
(amount in thousand of dollars)

	FY 1985 Actual	
	Number	Amount
Insured Farm Ownership Loans	7,424	$ 652,592
Guaranteed Farm Ownership Loans	453	67,927
Insured Farm Operating Loans	76,505	3,599,968
Guaranteed Farm Operating Loans	9,693	1,106,850
Emergency Disaster Loans	14,060	490,877
All other ACIF Loans	520	13,902
Total, ACIF	108,655	$5,932,116

Selected Examples of Recent Progress:

1. FmHA has been able to help a young family in Kentucky successfully continue farming by providing several loans since 1976. Also, in the spring of 1985, the family applied for, and received, a 25 percent debt set-aside loan. The family's crops consist of 6 acres of tobacco, 54 acres of corn, 26 acres of wheat and approximately 150 acres of hay and pasture. The hay and pasture supports 40 brood cows and their calves.

   The family displays a willingness to properly manage credit and limit expenditures in an effort to make their operation a success. Their assets are valued at $226,000 and total income in 1985 is projected at $54,400. Without FmHA financing the family would be unable to hold on to their assets and remain in farming.

2. Another example demonstrates how a family who has been assisted by numerous FmHA loans can successfully continue their farming operation. FmHA has been assisting a family in Kentucky since 1967. In addition, the family qualified for and received a 24.1 percent debt set-aside loan in 1985. Their hog inventory consists of 11 boars, 209 sows and 1,411 market hogs. They also raise 246 acres of corn. Their assets are valued at $823,000 and total sales for 1985 are projected at $252,000. The family could not continue to farm without FmHA loan funds.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Insurance Fund:

> [For loans to be insured, or made to be sold and insured, under this fund in accordance with and subject to the provisions of 7 U.S.C. 1928 and 86 Stat. 661-664, as follows: insured water and sewer facility loans, $340,000,000; guaranteed industrial development loans, $100,000,000; and insured community facility loans, $100,000,000.]
>
> For an additional amount to reimburse the Rural Development Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [$560,005,000] $736,619,000.

This change eliminates the appropriation language for the loan programs under this fund. No programs are being proposed for fiscal year 1987.

Rural Development Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1986	$540,000,000
Program Loan Levels, 1987	--
Decrease in Loan Levels	-540,000,000

SUMMARY OF DECREASES
(On basis of loan levels)

Item of Change	1986 Authorized	Program Changes	1987 Estimated
Water and waste disposal loans	$340,000,000	-$340,000,000	--
Community facility loans	100,000,000	-100,000,000	--
Business and industrial loans	100,000,000	-100,000,000	--
TOTAL	540,000,000	-540,000,000	--

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1985 Actual	1986 Estimated	Decrease	1987 Estimated
Rural Development Assistance:				
Water and waste disposal loans:				
Water supply	$202,429	$204,000	-$204,000	--
Waste disposal	119,766	119,000	-119,000	--
Combination water supply and waste disposal	17,805	17,000	-17,000	--
Subtotal, water and waste disposal loans	340,000	340,000	-340,000(1)	--
Community facility loans	115,000	100,000	-100,000(2)	--
Business & industrial loans	61,338	100,000	-100,000(3)	--
TOTAL	516,338	540,000	-540,000	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The Rural Development Act of 1972 authorized the establishment of the Rural Development Insurance Fund under section 309A of the Consolidated Farm and Rural Development Act. This Act provided for transfer to the Rural Development Insurance Fund the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities. This fund is used to insure or guarantee loans for water systems and waste disposal facilities, community facilities and industrial development in rural areas.

1. Water and waste disposal loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, for the development of storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. A rural area includes any area in any city or town which has a population of not more than 10,000 inhabitants.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. FmHA loans are repayable in not more than 40 years or the useful life of the facility, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans made in areas where the median household income falls below the poverty level and the project is needed to meet health or sanitary standards bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 85 percent of the nonmetropolitan median household income of the State.

2. Community facility loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, to construct, enlarge, extend, or otherwise improve community facilities which provide essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, hydroelectric generation, and community, social, and cultural benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 20,000 population.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. Loans are repayable in not more than the useful life of the facility or 40 years, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans made in areas where the median household income falls below the poverty level and the project is needed to meet health or sanitary standards bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 85 percent of the nonmetropolitan median household income of the State.

3. Business and industrial development loans. These guaranteed loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes, or to individuals for the purpose of improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, conversion, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials; and paying start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to rural areas and cities having a population of 25,000 or less. To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, securing, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided. Loans may be guaranteed by FmHA not to exceed 90 percent of the loss. Guaranteed loans are repayable in not more than 30 years, depending on the loan purpose, and bear interest at a rate agreed upon by the lender and borrower.

JUSTIFICATION OF DECREASES

(1) A decrease of $340,000,000 for water and waste disposal loans ($340,000,000 available in 1986).

Need for Change. Consistent with the Administration's policies of immediate and long term deficit reduction in the federal government, it is proposed that the water and waste disposal loan program be terminated. Communities will compete for funds for these purposes under programs provided through the Department of Housing and Urban Development's Community Development Block Grant Program, state and local governments, and commercial sources.

Consolidation of assistance for water and waste disposal purposes under the Community Development Block Grant Program eliminates the overlap and duplication of Federal programs of the past. This consolidation should avoid problems of inequity and inconsistency and eliminate unnecessary confusion and red tape for local governments in applying for assistance under numerous similar Federal programs.

Nature of Change. In FY 1986 it is estimated that this program will provide 758 loans. No new loans would be made in FY 1987.

(2) A decrease of $100,000,000 for community facility loans ($100,000,000 available in 1986).

Need for Change. Consistent with the Administration's policy for immediate and long term reduction of the Federal deficit, it is recommended that the community facility loan program be terminated. Those communities that have a need for a community facility can seek financing from the private sector, an appropriate agency of their State government, and the Department of Housing and Urban Development's Community Development Block Grant Program.

Nature of Change. In FY 1986 this program will provide an estimated 178 loans. No new loans would be made in FY 1987.

(3) A decrease of $100,000,000 for guaranteed business and industrial loans ($100,000,000 available in 1986).

Need for Change. Consistent with the Administration's policy of reducing Federally assisted credit activities, it is proposed that the business and industry loan program be terminated. Industrial development has long been an area of state and local interest via the issuance of State revenue bonds to encourage the location of business and industry. Furthermore, reliance on Federal financing for business development is less economically efficient than private capital markets.

Nature of Change. In FY 1986 this program will provide an estimated 84 loans. No new loans would be made in FY 1987.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1986		$560,005,000
Budget Estimate, 1987		736,619,000
Increase in Appropriation		+176,614,000
Adjustment in 1986		
Appropriation Act, 1986	$560,005,000	
Less Pro-Rata Reduction, P.L. 99-190	-3,360,000	
Net Appropriation		$556,645,000
Budget Estimate, 1987		736,619,000
Increase in adjusted 1986		+179,974,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1985 Actual	1986 Actual	Increase	1987 Estimated
Reimbursement for Interest Subsidies and Losses:				
Water and waste disposal loans:				
Water supply	$294,483,000	$326,121,000	+$29,678,000	$355,799,000
Waste disposal	109,431,000	124,290,000	+16,286,000	140,576,000
Combination water supply and waste disposal	36,447,000	41,745,000	+4,157,000	45,902,000
Community facility loans	107,936,000	118,991,000	+9,878,000	128,869,000
Business and industrial loans	11,708,000	951,000	+9,069,000	10,020,000
Total Losses	560,005,000	612,098,000	+69,068,000(1)	681,166,000
Amount not appropriated in FY 1986	--	-55,453,000	+55,453,000	--
Appropriation for FY 1984 losses not reimbursed in FY 1986	--	--	+55,453,000(2)	+55,453,000
Total Appropriation	560,005,000	556,645,000	179,974,000	736,619,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Development Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1984 and 1985.

JUSTIFICATION OF INCREASES

(1) An increase of $69,068,000 for reimbursement of interest subsidies and losses incurred in 1985 ($556,645,000 available in 1986 for interest subsidies and losses of $612,098,000 incurred in 1984).

Need for Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1985. The loss results primarily from the difference between interest rates charged to borrowers and the rate which the Government must pay for its own borrowing. The loans made from this fund prior to October 1, 1981, were subject to an interest rate ceiling of 5 percent which was set by statute in July, 1954. Currently, loans are made at either the poverty line rate, which is not in excess of 5 percent; the intermediate rate, which is the proverty line rate plus one-half the difference between the poverty line rate and the market rate; or the market rate, which is based on the current market yield for comparable term municipal obligations. The interest rate of the loan depends on the rural community's median household income and the need for the project to meet health or sanitary standards.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1985.

(2) The increase of $55,453,000 for reimbursement of interest subsidies and losses incurred in FY 1984, not reimbursed in FY 1986.

Need for Change. The amount of reimbursement results primarily from the difference between interest rates charged to the borrowers and the rate which the Government must pay for its own borrowing. The purpose of reimbursement for losses is to replenish the Fund for losses incurred. Any losses not reimbursed results in increased Treasury borrowings in order to maintain the Fund. This additional Treasury borrowing results in increased losses (interest expenses) to the Fund.

Nature of change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1984 that were not reimbursed in FY 1986.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	1985 Actual	1986 Estimated	1987 Estimated
Cash balance, beginning of year............	$ 10,218	$ 56,209	$ 21,103
Outlays..................................	-724,014	-761,751	-1,001,168
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.....	560,005	556,645	736,619
Treasury borrowings....................	210,000	170,000	255,000
Repayment of borrowings from Treasury............................	--	--	--
Net financing......................	770,005	726,645	991,619
Cash balance, end of year..................	56,209	21,103	11,554

As of September 30, 1987, the principal amount of contingent liabilities under insurance programs is estimated to be $10 billion.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Development Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expenses				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1985 Actual								
Water and waste disposal loans:								
Water supply	217,137	38	217,175	572,760	207	7	572,974	-355,799
Waste disposal	83,190	13	83,203	223,778	--	1	223,779	-140,576
Combination water supply and waste disposal	25,820	4	25,824	71,491	--	235	71,726	-45,902
Community facility loans	81,400	16	81,416	209,966	--	319	210,285	-128,869
Business and industrial loans	50,607	3,172	53,779	15,866	296	47,637	63,799	-10,020
TOTAL	458,154	3,243	461,397	1,093,861	503	48,199	1,142,563	-681,166
1986 Estimate								
Water and waste disposal loans:								
Water supply	230,612	2	230,614	620,196	647	489	621,332	-390,718
Waste disposal	87,023	--	87,023	234,979	--	31	235,010	-147,987
Combination water supply and waste disposal	28,106	--	28,106	82,242	--	256	82,498	-54,392
Community facility loans	93,374	--	93,374	223,230	--	162	223,392	-130,018
Business and industrial loans	48,500	4,350	52,850	12,748	--	39,750	52,498	+352
TOTAL	487,615	4,352	491,967	1,173,395	647	40,688	1,214,730	-722,763

Rural Development Insurance Fund

Operating Income and Expense Statement - Continued

(In Thousands of Dollars)

	Income			Expenses				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1987 Estimate								
Water and waste disposal loans:								
Water supply	244,772	2	244,774	620,955	700	37,454	659,109	-414,335
Waste disposal	92,988	--	92,988	242,115	--	3	242,118	-149,130
Combination water supply and waste disposal	28,596	--	28,596	85,090	--	223	85,313	-56,717
Community facility loans	96,590	--	96,590	230,459	--	188	230,647	-134,057
Business and industrial loans	49,200	3,630	52,830	15,656	--	37,630	53,286	-456
TOTAL	512,146	3,632	515,778	1,194,275	700	75,498	1,270,473	-754,695

The following schedules present an analysis of outlays by loan program for fiscal years 1985, 1986 and 1987.

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1985 Actual
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	226,881	136,633	29,670	80,007	--	473,191
Purchase of certificates of beneficial ownership	334,584	126,748	38,633	138,583	3,588	642,136
Purchase of loans	8,690	3	1,038	--	--	9,731
Collections disbursed to investors	8,806	1,605	1,215	--	--	11,626
Interest expense	569,208	222,535	71,066	208,837	15,512	1,087,158
Investment in guaranteed loans	--	--	--	--	88,135	88,135
Loss settlement, guaranteed loans	--	--	--	--	25,711	25,711
Other	314,573	105,606	65,121	75,040	121	560,461
Total funds expended	1,462,742	593,130	206,743	502,467	133,067	2,898,149
Funds received:						
Repayments on loans	67,906	38,895	8,717	42,213	666	158,397
Payment of interest on loans	219,942	81,052	27,242	81,144	1,965	411,345
Sale of certificates of beneficial ownership	513,152	245,212	59,436	189,313	2,887	1,010,000
Collections received for investors	7,821	1,971	1,155	--	--	10,947
Payments on investment in guaranteed loans	--	--	--	--	1,256	1,256
Insurance premiums and guarantee fees	2	--	--	--	13,063	13,065
Other	299,198	111,262	37,038	109,679	11,948	569,125
Total funds received	1,108,021	478,392	133,588	422,349	31,785	2,174,135
Outlays	354,721	114,738	73,155	80,118	101,282	724,014

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1986 Estimated
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	213,240	128,679	25,736	99,445	--	467,100
Purchase of certificates of beneficial ownership	20,931	8,037	2,448	8,976	408	40,800
Purchase of loans	657	--	116	--	--	773
Collections disbursed to investors	9,196	1,694	1,210	--	--	12,100
Interest expense	584,452	220,548	77,192	209,521	11,027	1,102,740
Investment in guaranteed loans	--	--	--	--	84,500	84,500
Loss settlement, guaranteed loans	--	--	--	--	24,000	24,000
Other	3,548	934	576	--	2	5,060
Total funds expended	832,024	359,892	107,278	317,942	119,937	1,737,073
Funds received:						
Repayments on loans	72,784	41,663	9,353	45,234	1,021	170,055
Payment of interest on loans	227,705	84,003	28,143	84,003	2,558	426,412
Sale of certificates of beneficial ownership	174,588	83,170	20,277	64,912	1,031	343,978
Collections received for investors	10,011	2,538	1,551	--	--	14,100
Payments on investment in guaranteed loans	--	--	--	--	11,500	11,500
Insurance premiums and guarantee fees	2	--	--	--	2,400	2,402
Other	3,644	1,375	412	1,306	138	6,875
Total funds received	488,734	212,749	59,736	195,455	18,648	975,322
Outlays	343,290	147,143	47,542	122,487	101,289	761,751

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1987 Estimated
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	181,776	111,618	25,512	93,894	--	412,800
Purchase of certificates of beneficial ownership	2,825	1,003	316	1,108	27	5,279
Purchase of loans	60	--	9	--	--	69
Collections disbursed to investors	10,530	1,170	1,300	--	--	13,000
Interest expense	632,608	238,720	83,552	226,584	11,936	1,193,400
Investment in guaranteed loans	--	--	--	--	74,520	74,520
Loss settlement, guaranteed loans	--	--	--	--	22,500	22,500
Other	3,694	982	606	--	3	5,285
Total funds expended	831,493	353,493	111,295	321,586	108,986	1,726,863
Funds received:						
Repayments on loans	77,812	44,541	9,998	44,359	1,090	177,800
Payment of interest on loans	239,703	88,429	29,625	88,428	2,693	448,878
Sale of certificates of beneficial ownership	--	--	--	--	--	--
Sale of loans without recourse	63,000	--	--	--	--	63,000
Collections received for investors	11,147	2,826	1,727	--	--	15,700
Payments on investment in guaranteed loans	--	--	--	--	12,500	12,500
Insurance premiums and guarantee fees	2	--	--	--	1,500	1,502
Other	3,342	1,261	378	1,198	126	6,305
Total funds received	395,006	137,057	41,728	133,986	17,909	725,665
Outlays	436,487	216,436	69,567	187,601	91,077	1,001,168

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Development Insurance Fund

Water and Waste Disposal Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	7,555,800	9,700,000	--
Alaska.............	--	700,000	--
Arizona............	275,000	2,500,000	--
Arkansas...........	14,447,800	7,200,000	--
California.........	8,963,700	10,200,000	--
Colorado...........	413,000	3,000,000	--
Connecticut........	2,314,800	3,000,000	--
Delaware...........	7,713,000	1,000,000	--
Florida............	9,636,400	8,000,000	--
Georgia............	6,568,000	12,700,000	--
Hawaii.............	--	1,000,000	--
Idaho..............	538,500	2,500,000	--
Illinois...........	3,594,700	10,000,000	--
Indiana............	9,446,900	9,000,000	--
Iowa...............	5,819,100	6,000,000	--
Kansas.............	4,461,700	4,000,000	--
Kentucky...........	24,258,000	11,400,000	--
Louisiana..........	12,363,500	9,000,000	--
Maine..............	7,504,900	3,000,000	--
Maryland...........	10,250,800	4,000,000	--
Massachusetts......	6,025,300	5,000,000	--
Michigan...........	6,910,000	13,000,000	--
Minnesota..........	3,376,700	6,000,000	--
Mississippi........	15,627,100	10,000,000	--
Missouri...........	7,626,200	8,000,000	--
Montana............	1,459,000	2,000,000	--
Nebraska...........	542,800	3,000,000	--
Nevada.............	906,400	500,000	--
New Hampshire......	1,619,000	2,000,000	--
New Jersey.........	908,700	4,000,000	--
New Mexico.........	78,800	2,000,000	--
New York...........	9,370,500	15,500,000	--
North Carolina.....	19,838,500	17,500,000	--
North Dakota.......	1,107,400	2,000,000	--
Ohio...............	12,379,000	14,500,000	--
Oklahoma...........	6,366,500	5,000,000	--
Oregon.............	5,210,700	4,000,000	--
Pennsylvania.......	15,476,000	17,500,000	--
Rhode Island.......	400,000	600,000	--
South Carolina.....	9,537,900	8,000,000	--
South Dakota.......	2,196,000	2,000,000	--
Tennessee..........	15,203,200	11,500,000	--
Texas..............	28,861,700	16,500,000	--
Utah...............	240,000	1,000,000	--
Vermont............	63,500	2,000,000	--
Virginia...........	13,494,200	9,000,000	--
Washington.........	3,776,800	5,000,000	--
West Virginia......	6,725,000	7,000,000	--
Wisconsin..........	2,343,100	8,000,000	--
Wyoming............	205,000	1,000,000	--
Puerto Rico........	4,966,000	17,500,000	--
Trust Territories..	1,033,400	1,000,000	--
Virgin Islands.....	--	500,000	--
Total, Available or Estimate.......	340,000,000	340,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Development Insurance Fund

Community Facilities Loan Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	--	2,810,000	--
Alaska.............	--	275,000	--
Arizona............	--	856,000	--
Arkansas...........	920,000	2,118,000	--
California.........	2,949,200	2,933,000	--
Colorado...........	55,000	956,000	--
Connecticut........	483,500	1,027,000	--
Delaware...........	232,000	315,000	--
Florida............	4,511,700	2,384,000	--
Georgia............	--	3,472,000	--
Hawaii.............	427,000	421,000	--
Idaho..............	373,000	853,000	--
Illinois...........	1,695,000	2,804,000	--
Indiana............	3,178,000	2,662,000	--
Iowa...............	1,816,500	1,708,000	--
Kansas.............	195,000	1,238,000	--
Kentucky...........	3,092,000	3,257,000	--
Louisiana..........	5,567,000	2,487,000	--
Maine..............	6,387,700	1,076,000	--
Maryland...........	6,059,200	1,279,000	--
Massachusetts......	4,370,700	1,395,000	--
Michigan...........	--	3,753,000	--
Minnesota..........	5,371,500	1,877,000	--
Mississippi........	773,000	2,880,000	--
Missouri...........	4,222,000	2,384,000	--
Montana............	270,500	762,000	--
Nebraska...........	346,500	994,000	--
Nevada.............	--	273,000	--
New Hampshire......	2,221,500	664,000	--
New Jersey.........	2,834,000	1,243,000	--
New Mexico.........	--	841,000	--
New York...........	5,822,700	4,100,000	--
North Carolina.....	7,319,000	4,747,000	--
North Dakota.......	300,000	720,000	--
Ohio...............	3,059,000	3,884,000	--
Oklahoma...........	1,146,000	1,647,000	--
Oregon.............	287,500	1,357,000	--
Pennsylvania.......	5,428,700	4,845,000	--
Rhode Island.......	142,500	274,000	--
South Carolina.....	10,253,000	2,459,000	--
South Dakota.......	712,000	831,000	--
Tennessee..........	1,314,000	3,153,000	--
Texas..............	1,119,900	4,550,000	--
Utah...............	775,000	468,000	--
Vermont............	--	664,000	--
Virginia...........	2,227,200	2,638,000	--
Washington.........	130,000	1,617,000	--
West Virginia......	737,000	2,080,000	--
Wisconsin..........	3,316,000	2,207,000	--
Wyoming............	--	325,000	--
Puerto Rico........	1,559,000	4,872,000	--
Trust Territories..	11,000,000	420,000	--
Virgin Islands.....	--	145,000	--
Total, Available or Estimate.......	115,000,000	100,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Development Insurance Fund

Business and Industrial Development Loan Program

	1985 Amount	1986 Amount	1987 Amount
Arkansas...........	7,500,000	12,227,000	--
Florida............	1,600,000	2,609,000	--
Illinois...........	990,000	1,614,000	--
Louisiana..........	1,000,000	1,630,000	--
Maine..............	2,100,000	3,424,000	--
Michigan...........	3,911,000	6,376,000	--
Mississippi........	5,287,000	8,620,000	--
Missouri...........	1,070,000	1,744,000	--
New York...........	2,410,000	3,929,000	--
North Carolina.....	5,356,200	8,732,000	--
Ohio...............	4,636,700	7,559,000	--
South Carolina.....	2,353,600	3,837,000	--
Tennessee..........	900,000	1,467,000	--
Texas..............	7,815,000	12,743,000	--
West Virginia......	3,908,000	6,371,000	--
Wisconsin..........	4,500,000	7,336,000	--
Puerto Rico........	6,000,000	9,782,000	--
Total, Available or Estimate.......	61,337,500	100,000,000	--

RURAL DEVELOPMENT INSURANCE FUND

STATUS OF PROGRAM

The Farmers Home Administration (FmHA) provides a source of funding for water and waste disposal systems and essential community facilities, to those rural communities that are unable to obtain private financing. Without the aid of the Federal Government, these communities, which are mainly low-income and sparsely populated, would have no other source of financing available with terms or conditions they could meet. Guaranteed loans are also made for the purpose of improving, developing, or financing businesses and industries.

The water and waste disposal loan program assists eligible borrowers by providing assistance for these borrowers to obtain basic human amenities, to alleviate health hazards, to meet National Clean Water Standards and the requirements of the Safe Drinking Water Act, and to repair and replace components of existing infrastructure which are deteriorating with age. Substantial progress has been made in the provision of safe, modern water and waste systems throughout the country, however, significant problems still exist. The National Rural Community Facilities Assessment Study showed that in 1980, 25 percent of the existing rural area waste treatment plants are at or are exceeding design capacity, and will need a source of financing for upgrading or expanding, in order to maintain the effluent standards mandated by the Clean Water Act. A 1982 EPA Needs Survey of Cost Estimates for Construction of Publicly-Owned Wastewater Treatment Facilities indicated that rural areas with a population below 10,000 needed approximately $34 billion for these systems to be brought into compliance with the Clean Water Act of 1977. This survey also estimated that the entire nation's need was $83 billion, which means that the cost of upgrading sewer systems serving rural communities amounts to 41 percent of the nation's total needs.

Community facility loans provide financial assistance for facilities for such purposes as public safety, including equipment for volunteer fire departments and rescue squads; health care, including clinics, nursing homes, and expansions and improvements to hospitals; and public service. The first priority of the community facility loan program is public safety, primarily to reduce the death rate from accidents and property loss from fire, to a rate comparable to urban areas. The second priority is to health care facilities.

Since inception of the water and waste disposal loan program in FY 1937 through FY 1985, over $8.8 billion in loan funds have been obligated to 15,108 rural areas and communities for developing needed water and waste disposal facilities. The losses on these loans has been minimum. Since the inception of the community facility loan program in FY 1974 through FY 1985, 4,788 loans have been obligated totaling about $2.2 billion. These loans are comprised of approximately 80 different types of facilities. To date, no loss of principal has occurred.

The interest rates for the water and waste disposal loans and community facility loans were changed in fiscal year 1982, as authorized by the Omnibus Budget Reconciliation Act of 1981. New loan interest rates are now adjusted to reflect the community's economic and health environment. The interest rates are designated as poverty, intermediate and market. The poverty rate is 5 percent, the intermediate rate is one-half the difference between the poverty rate and the market rate added to the poverty rate, and the market rate is based on the current market yield for comparable term municipal bonds.

Current Activities: The following table reflects the number and amount of loans for fiscal year 1985:

Obligations
(amount in thousand of dollars)

	FY 1985 Actual	
	Number	Amount
Water and Waste Disposal Loans	783	$340,000
Community Facility Loans	214	115,000
Business and Industrial Loans	54	61,338
Total, RDIF	1,051	$516,338

Selected Examples of Recent Progress:

(1) The source of water for 555 residents of the town of Wade, Cumberland County, North Carolina was individual shallow wells. Over the years, these shallow wells became contaminated and a threat to the health of the residents. In order to solve this problem, town officials elected to construct a central water system to replace the individual wells.

With a median household income of only $7,083, this small rural town was unable to obtain financing from commercial sources to construct their water system. Therefore, the town officials applied to the FmHA District Office serving their area for a water and waste disposal loan and grant.

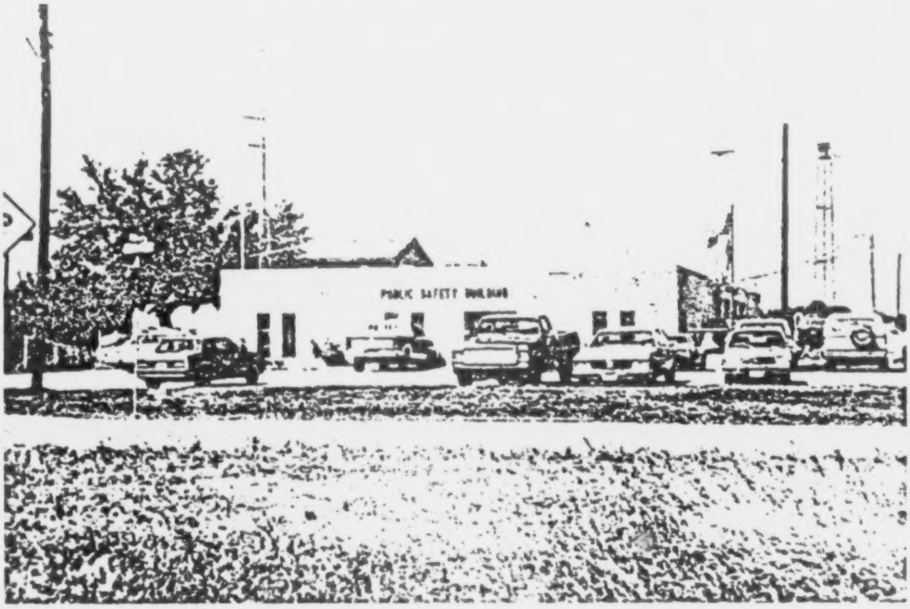
On September 24, 1985, FmHA approved a $231,000 loan and a $489,000 grant. The terms of the loan are 40 years with a two-year deferment of principal at 6.75 percent interest. These funds will be used to construct two deep wells, a 75,000-gallon elevated storage tank and a distribution system. The water system will provide a safe dependable water supply to 192 low-income rural families.

(2) Grundy County Nursing Home District, which operates a 154 bed nursing home in Trenton, Missouri, wanted to offer an alternative for persons who need some assistance but not full time nursing care. With a FmHA loan of $595,000 and $227,804 contributed by the applicant, a 30 bed residential care facility adjacent to the existing nursing home was built.

The facility provides care at a level between rental housing and a nursing home. The residents remain much more independent than in a regular nursing home but supervision is provided. The 24 single and 3 double apartments contain one or two bedrooms, private bathroom, living room, and kitchenette with sink and refrigerator. No cooking is allowed, primarily for safety reasons. Meals are served in a central dining room. Laundry and cleaning services are provided. Licensed nurses are on duty at all times and call buttons are installed in each apartment.

The project was completed in July, 1985, and was completely occupied by October, 1985. It primarily serves Grundy County, which has a population of 11,959, located in Rolling Farm County of North Central Missouri.

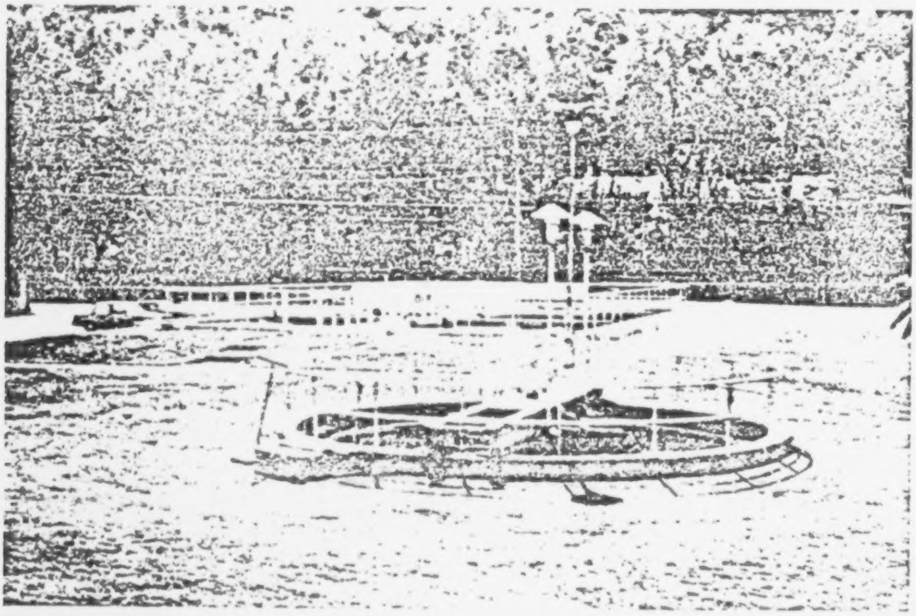
Selected Pictures of Completed Projects: On the following pages are examples of completed projects that have received assistance from either the community facility loan program or the water and waste disposal loan and/or grant programs.

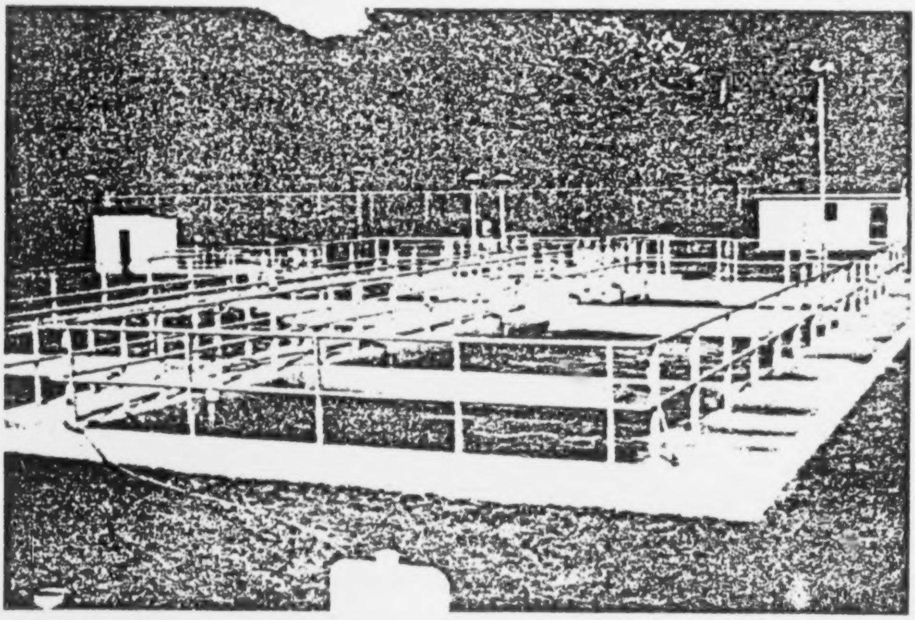


The public safety building in Round Rock, Texas, housing the police department, fire department and fire station servicing a population area of approximately 11,762.

BEDINGTON V.F.D.
B.V.F.D.

The Bedington Volunteer Fire Department Inc. in Martinsburg, Berkeley County, West Virginia, obtained a $50,000 loan from FmHA to purchase a fire engine. This fire engine will be used to service parts of Berkeley, Jefferson and Morgan Counties servicing a population area of approximately 15,000.





Wastewater treatment plant located in the Chelyan Public Service District, Kanawha County, West Virginia. The sewage collection and treatment facility serves 563 users.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Water and Waste Disposal Grants:

> [For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), $115,000,000 to remain available until expended, pursuant to section 306(d) of the above Act.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1987.

Rural Water and Waste Disposal Grants

Appropriation Act, 1986	$115,000,000
Budget Estimate, 1987	--
Decrease in Appropriation	-115,000,000

Adjustment in 1986		
Appropriation Act, 1986	$115,000,000	
Less Pro-Rata Reduction, P.L. 99-190	- 690,000	
Net Appropriation		$114,310,000
Budget Estimate, 1987		--
Decrease in adjusted 1986		-114,310,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Decrease	1987 Estimated
Rural water & waste disposal grants:				
Water supply	$ 80,296,225	$70,900,000	-$70,900,000	--
Waste disposal	40,289,910	35,410,000	-35,410,000	--
Combination - water & waste disposal	8,402,200	8,000,000	-8,000,000	
Total obligations	128,988,335	114,310,000	-114,310,000 (1)	
Recovery of prior year obligations	-13,880,390	--	--	--
Unobligated balance brought forward	-2,435,290	--	--	--
Unobligated balance carried forward	2,327,345	--	--	--
Total appropriation	115,000,000	114,310,000	-114,310,000	--

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Rural water & waste disposal grants:				
Water supply........	$ 80,296,225	$72,315,154	-$72,315,154	--
Waste disposal......	40,289,910	36,157,577	-36,157,577	--
Combination - water & waste disposal..	8,402,200	8,164,614	-8,164,614	--
Total obligations.....	128,988,335	116,637,345	-116,637,345	--
Recovery of prior year obligations.....	-13,880,390	--	--	--
Unobligated balance brought forward.....	-2,435,290	-2,327,345	+2,327,345	--
Unobligated balance carried forward.....	2,327,345	--	--	--
Total appropriation	115,000,000	114,310,000	-114,310,000	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Rural water and waste disposal grants. Section 306 of the Consolidated Farm and Rural Development Act as amended, provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas. Grants made under this authority may not aggregate more than $154.9 million in any fiscal year.

1. Eligibility of applicants: Development grants may be made to associations, including corporations operating on a nonprofit basis, municipalities, authorities, districts, certain Indian tribes, and similar organizations generally designated as public or quasi-public agencies, that propose projects for development of storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if necessary to reduce user charges to a reasonable level. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which is not likely to decline in population below that for which the project was designed, and it must be designed and constructed so that adequate capacity will be or can be made available to serve the reasonably foreseeable growth needs of the area.

2. Limits: Water and waste disposal grants may not exceed 75 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility including rights-of-way, land rights, water rights, engineering fees, and legal fees.

JUSTIFICATION OF DECREASE

(1) A decrease of $114,310,000 for rural water and waste disposal grants ($114,310,000 available in 1986).

Need for change. The proposed budget will assist in reducing the deficit. In fiscal year 1987, communities will compete for funds for these purposes under the Department of Housing and Urban Development's Community Development Block Grant Program or receive assistance from commercial and state/local government sources.

Nature of change. No funds are proposed for this program in FY 1987.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Water and Waste Disposal Grant Program

	1985 Amount	1986 Amount	1987 Amount
Alabama............	2,626,500	3,000,000	--
Alaska.............	--	300,000	--
Arizona............	102,400	900,000	--
Arkansas...........	6,702,000	2,900,000	--
California.........	2,486,800	3,400,000	--
Colorado...........	214,000	1,000,000	--
Connecticut........	761,200	1,100,000	--
Delaware...........	--	300,000	--
Florida............	4,776,300	2,700,000	--
Georgia............	4,830,000	4,000,000	--
Hawaii.............	--	400,000	--
Idaho..............	893,900	1,000,000	--
Illinois...........	2,625,900	3,200,000	--
Indiana............	3,558,000	3,000,000	--
Iowa...............	1,975,300	2,000,000	--
Kansas.............	4,056,700	1,900,000	--
Kentucky...........	5,928,425	3,800,000	--
Louisiana..........	4,825,100	2,900,000	--
Maine..............	3,426,550	1,200,000	--
Maryland...........	2,518,000	1,400,000	--
Massachusetts......	1,191,700	1,600,000	--
Michigan...........	2,554,500	4,300,000	--
Minnesota..........	1,887,900	2,000,000	--
Mississippi........	3,289,400	3,300,000	--
Missouri...........	2,983,000	2,700,000	--
Montana............	490,300	800,000	--
Nebraska...........	597,900	1,100,000	--
Nevada.............	1,782,000	300,000	--
New Hampshire......	272,400	700,000	--
New Jersey.........	1,033,400	1,900,000	--
New Mexico.........	135,200	900,000	--
New York...........	5,045,100	4,800,000	--
North Carolina.....	8,933,100	6,100,000	--
North Dakota.......	1,310,000	800,000	--
Ohio...............	4,464,000	4,500,000	--
Oklahoma...........	2,610,000	1,900,000	--
Oregon.............	2,535,800	1,500,000	--
Pennsylvania.......	5,231,000	5,600,000	--
Rhode Island.......	400,000	300,000	--
South Carolina.....	1,018,500	2,800,000	--
South Dakota.......	949,000	900,000	--
Tennessee..........	3,523,700	3,600,000	--
Texas..............	4,856,500	5,600,000	--
Utah...............	408,900	500,000	--
Vermont............	190,500	700,000	--
Virginia...........	4,820,600	3,500,000	--
Washington.........	682,700	1,800,000	--
West Virginia......	2,656,000	2,400,000	--
Wisconsin..........	1,880,600	2,500,000	--
Wyoming............	682,000	300,000	--
Puerto Rico........	5,165,360	5,960,000	--
Trust Territories..	3,100,200	427,000	--
Virgin Islands.....	--	150,000	--
Total, Available or Estimate.......	128,988,335	116,637,000*	--

*Includes carryover from FY 1985.

RURAL WATER AND WASTE DISPOSAL GRANTS

STATUS OF PROGRAM

The water and waste disposal grant program is designed to provide financial assistance for the development of water and waste disposal systems to alleviate health hazards, and to meet national safe drinking water and clean water standards in rural areas without the financial capability to do so on their own.

Current Activities: The Farmers Home Administration is the lead Federal agency to provide funds to rural America for water and waste disposal systems. In the administration of the water and waste disposal loan and grant programs, a great amount of uniformity is achieved as a result of the organization of FmHA between and within the states. FmHA has the unique ability due to its organizational structure and authority to not only provide financing for these communities, but also to determine the loan/grant mix, provide technical assistance, fiduciary services, and organizational and operating assistance. Joint funding is provided by other federal, state and local agencies and some private lenders but the servicing benefits provided by FmHA are unique.

During fiscal year 1985, 366 grants were obligated for a total of $128,988,335.

Selected Example of Recent Progress: The Big V Water Association in Prentiss County, Mississippi is a nonprofit organization that was formed to provide potable water for its members.

Due to the low median household income of $9,353 in this small rural community, the association was unable to obtain financing from commercial sources to expand the system. The only source of funding available, which allowed association officials to make the needed expansion and maintain a user rate that its members could afford, was FmHA's water and waste disposal loan and grant programs.

On May 10, 1985, FmHA approved a $35,000 loan and $30,000 grant to extend service to an additional 35 users whose only source of water was individual shallow wells. The grant funds reduced the user costs to a reasonable level. The terms of the FmHA loan are 40 years at 7 1/4 percent interest.

The Big V system now serves 905 rural families in Prentiss County who, without FmHA's water and waste disposal loan and grant programs, would not have a safe dependable water supply.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Rural Housing for Domestic Farm Labor:

> [For financial assistance to eligible nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), $10,000,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in FY 1987.

Rural Housing for Domestic Farm Labor

Appropriation Act, 1986		$10,000,000
Budget Estimate, 1987		--
Decrease in Appropriation		-10,000,000
Adjustment in 1986		
Appropriation Act, 1986	$10,000,000	
Less Pro-Rata Reduction, P.L. 99-190	-60,000	
Net Appropriation		$9,940,000
Budget Estimate, 1987		--
Decrease under adjusted 1986		-9,940,000

PROJECT STATEMENT

(On basis of adjusted appropriation
and on basis of obligations under available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Grant assistance for low-rent domestic farm labor housing	$12,138,295	$11,193,756	-$11,193,756	--
Total obligations	12,138,295	11,193,756	-11,193,756	--
Unobligated balance brought forward	-11,035,657	-249,026	+249,026	--
Recovery of prior year obligations	-1,351,664	-1,004,730	+1,004.730	--
Unobligated balance carried forward	249,026	--	--	--
Total appropriation	--	9,940,000	-9,940,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Under section 516 of the Housing Act of 1949, FmHA is authorized to share with state or other political subdivisions. public or private nonprofit organizations, or nonprofit organizations of farmworkers, the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy and consist of family unit apartments or dormitory-type units, constructed in an economical manner, and not of elaborate or extravagant design or materials. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing either directly from private sources, or obtaining an insured loan under section 514 or the Housing Act. The applicant must agree to charge rentals which do not exceed amounts approved by the Secretary, maintain the housing at all times in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless terminated sooner by the Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the option to require repayment of the grant.

Justification of Decrease

(1) A decrease of $9,940,000 for rural housing for domestic farm labor ($9,940,000 available in FY 1986).

Need for Change. Federal housing assistance is being consolidated under the Department of Housing and Urban Development (HUD). Housing services for domestic laborers will be available through HUD's housing program.

Nature of Change. No appropriation is requested for FY 1987.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing for Domestic Farm Labor

	1985 Amount	1986 Amount	1987 Amount
California.........	993,561	900,000	--
Florida...........	4,632,530	4,300,000	--
Idaho.............	835,700	700,000	--
Maryland..........	183,020	200,000	--
Massachusetts......	836,300	660,000	--
Michigan..........	503,500	500,000	--
Minnesota..........	666,000	550,000	--
New Jersey.........	257,578	300,000	--
North Carolina.....	205,426	200,000	--
Texas.............	232,320	200,000	--
Utah...............	149,490	200,000	--
Washington.........	2,642,870	2,484,000	--
Total, Available or Estimate.......	12,138,295	11,194,000*	--

*Includes balances available from 1985.

RURAL HOUSING FOR DOMESTIC FARM LABOR GRANTS (SEC. 516)

STATUS OF PROGRAM

This program reduces the cost of moderately constructed housing, and provides for basic household furnishings and related facilities for domestic farm labor. By providing grant funds for such projects, long-term loan indebtedness is reduced thus making possible lower rent levels that domestic farmworkers can afford. These grants may be made simultaneously with farm labor housing loans.

Current Activities: During fiscal year 1985, 23 grant obligations amounting to $12,138,295 were made to finance the construction of 609 newly constructed units and the rehabilitation of 57 units.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Mutual and Self-Help Housing:

> [For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), $8,000,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in FY 1987.

Mutual and Self-Help Housing

Appropriation Act, 1986	$8,000,000
Budget Estimate, 1987	- -
Decrease in Appropriation	-8,000,000

Adjustment in 1986		
Appropriation Act, 1986	$8,000,000	
Less Pro-Rata Reduction, P.L. 99-190	-48,000	
Net Appropriation		$7,952,000
Budget Estimate, 1987		--
Decrease under adjusted 1986		-7,952,000

PROJECT STATEMENT

(On basis of adjusted appropriation and on basis of obligations under available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Grant assistance for technical and supervisory assistance for mutual and self-help housing	$10,753,500	$10,515,914	-$10,515,914	--
Total obligations	10,753,500	10,515,914	-10,515,914	--
Recovery of prior year obligations	-202,198	--	--	--
Unobligated balance brought forward	-5,115,216	-2,563,914	+2,563,914	--
Unobligated balance carried forward	2,563,914	--	--	--
Total appropriation	8,000,000	7,952,000	-7,952,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 523 of the Housing Act of 1949, as amended. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

This program also provides for contract funds for training to be provided to members and staff of self-help technical assistance grant recipient organizations which sponsor and supervise self-help projects.

JUSTIFICATION OF DECREASE

(1) A decrease of $7,952,000 for mutual and self-help housing ($7,952,000 available in FY 1986).

Need for Change. This program has historically provided only a limited number of housing units. Also, the program's need is closely related to the availability of section 502 loan funding which traditionally provides the long-term financing for the units constructed under the self-help method. The cessation of the section 502 program in favor of HUD's voucher and other programs would necessitate, likewise, the cessation of the mutual and self-help housing grant program.

Nature of Change. No appropriation is requested for FY 1987.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Mutual and Self Help Housing Grants

	1985 Amount	1986 Amount	1987 Amount
Arizona	498,360	495,000	--
Arkansas	147,000	145,000	--
California	4,070,728	4,000,000	--
Colorado	8,000	40,000	--
Connecticut	198,900	190,000	--
Delaware	306,664	300,000	--
Florida	433,115	425,000	--
Maryland	381,430	375,000	--
Massachusetts	795,430	775,000	--
Michigan	224,500	220,000	--
Missouri	120,480	120,000	--
Ohio	278,000	275,000	--
Oklahoma	602,293	580,000	--
Oregon	199,930	190,000	--
Rhode Island	139,460	125,000	--
Washington	592,740	575,000	--
Wisconsin	1,756,480	1,686,000	
Total, Available or Estimate	10,753,510	10,516,000*	

*Includes carryover from FY 1985.

MUTUAL AND SELF-HELP HOUSING GRANTS (SEC. 523)

STATUS OF PROGRAM

This program is directed toward the development and construction of efficient, modest housing through the mutual self-help concept by providing financial assistance to local organizations for the purposes of giving technical and supervisory assistance in construction techniques to enable groups of low-income families to build their homes through the mutual exchange of labor.

Current Activities: During fiscal year 1985, 42 grants and 8 contracts were obligated amounting to $10,753,500. Approximately 1,400 families will be provided technical and supervisory assistance to build their homes.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses of the Farmers Home Administration, not otherwise
provided for, in administering the programs authorized by the
Consolidated Farm and Rural Development Act (7 U.S.C. 1921-1996), as
amended; Title V of the Housing Act of 1949, as amended (42 U.S.C.
1471-1490o); the Rural Rehabilitation Corporation Trust Liquidation Act,
approved May 3, 1950 (40 U.S.C. 440-444), for administering the loan pro-
gram authorized by title III A of the Economic Opportunity Act of 1964
(Public Law 88-452 approved August 20, 1964), as amended, and such other
programs for which Farmers Home Administration has the responsibility for
administering, [$375,297,000] $382,639,000, together with not more than
$3,000,000 of the charges collected in connection with the insurance of
loans as authorized by section 309(A) of the Consolidated Farm and Rural
Development Act, as amended, and section 517(i) of the Housing Act of
1949, as amended, or in connection with charges made on borrowers under
section 502(a) of the Housing Act of 1949, as amended: Provided, That, in
addition, not to exceed $1,000,000 of the funds available for the various
programs administered by this agency may be transferred to this
1 appropriation for temporary [field] employment pursuant to the second
sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), to
meet unusual or heavy workload increases: Provided further, That not to
exceed $500,000 of this appropriation may be used for employment under 5
2 U.S.C. 3109 [: Provided further, That not to exceed $1,950,000 of this
appropriation shall be available for contracting with the National Rural
Water Association or other equally qualified national organization for a
circuit rider program to provide technical assistance for rural water
3 systems] [: Provided further, That, in addition to any other authority
that the Secretary may have to defer principal and interest and forego
foreclosure, the Secretary may permit, at the request of the borrower, the
deferral of principal and interest on any outstanding loan made, insured,
or held by the Secretary under this title, or under the provisions of any
other law administered by the Farmers Home Administration, and may forego
foreclosure of any such loan, for such period as the Secretary deems
necessary upon a showing by the borrower that due to circumstances beyond
the borrower's control, the borrower is temporarily unable to continue
making payments of such principal and interest when due without unduly
impairing the standard of living of the borrower. The Secretary may
permit interest that accrues during the deferral period on any loan
deferred under this section to bear no interest during or after such
period: Provided further, That, if the security instrument securing such
loan is foreclosed, such interest as is included in the purchase price at
such foreclosure shall become part of the principal and draw interest from
the date of foreclosure at the rate prescribed by law].

The first change deletes language restricting the use of certain employment in order to utilize such employment in all offices.

The second change deletes language pertaining to limiting the amount for contracting for a circuit rider program. In order to ensure that the function is carried out properly, the agency needs the flexibility to bargain with the contractor.

The third change deletes language pertaining to deferral of principal and interest in certain cases and under certain foreclosure practices. These items have been incorporated into agency regulations.

FARMERS HOME ADMINISTRATION

SALARIES AND EXPENSES

	Appropriation	Transfer from Rural Housing & Agricultural Credit Insurance Funds	Transfer from Agricultural Credit Insurance Funds for Temporary Field Employment	Total
Appropriation Act, 1986	$375,297,000	$3,000,000	$1,000,000	$379,297,000
Budget estimate, 1987	382,639,000	3,000,000	1,000,000	386,639,000
Increase in appropriation	+7,342,000	--	--	+7,342,000
Adjustments in 1986:				
Appropriation Act,1986 ..	375,297,000	3,000,000	1,000,000	379,297,000
Less Pro-Rata reduction, P.L. 99-190	-2,252,000	--	--	-2,252,000
Net appropriation	373,045,000	3,000,000	1,000,000	377,045,000
Transfer from Departmental Administration Standard Level User Charges	+900,000	--	--	+900,000
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-398,000	--	--	-398,000
Transfer to Office of General Counsel	-1,400,000	--	--	-1,400,000
Adjusted base for 1986	372,147,000	3,000,000	1,000,000	376,147,000
Budget Estimate, 1987	382,639,000	3,000,000	1,000,000	386,639,000
Increase over Adjusted 1986	+10,492,000	--	--	+10,492,000

a/ A transfer of $345,000 to Departmental Administration and $53,000 to Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1986 Estimate	Increase or Decrease	1987 Estimate
Increased operating costs related to automation and program servicing contracts	--	$+23,316,000	$23,316,000
Increase for inflation	--	+4,279,000	4,279,000
Increased relocation costs	--	+1,397,000	1,397,000
Increase in rate of pay for county committee members	--	+600,000	600,000
Decreased staff years related to the appropriation	--	-19,100,000	-19,100,000
All other expenses for administration of grant and direct and insured loan programs	$376,147,000	--	376,147,000
	376,147,000	+10,492,000	386,639,000

PROJECT STATEMENT
(On the basis of adjusted Appropriation)

Project	1985 Actual		1986 Estimated		Increase or Decrease	1987 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Low-income housing assistance	$147,440,070	4,598	$150,564,000	4,289	-$21,684,000	$128,880,000	3,346
Moderate income housing assistance	27,384,476	854	30,155,000	859	-342,000	29,813,000	774
Farm loan programs assistance	152,891.313	4,768	170,328,000	4,852	+37,628,000	207,956,000	5,399
Community programs assistance	20,073,398	626	22,327,000	636	-5,341,000	16,986,000	441
Loans for associations or groups	320,661	10	351,000	10	+111,000	462,000	12
Business and Industry assistance	2,084,299	65	2,422,000	69	+120,000	2,542,000	66
Total, administration of grant and direct and insured loan programs	350,194,217	10,921	376,147,000	10,715	+10,492,000	386,639,000	10,038
Unobligated balance	3,102,783	--	--	--	--	--	--
Total available or estimate	353,297,000	10,921	376,147,000	10,715	(1) +10,492,000	386,639,000	10,038
Transfer from Rural Housing & Agricultural Credit Insurance Funds	--		-3,000,000				
Transfer from Agricultural Credit Insurance Fund	-1,000,000		-1,000,000				
Transfer from Departmental Administration Standard level user charges	-900,000		-900,000				
Transfer to Departmental Administration & Office of Governmental & Public Affairs for Reimbursable Activities	+112,229		+398,000				
Transfer to Office of General Counsel	+787,771		+1,400,000				
Total Appropriation	352,297,000		373,045,000				

EXPLANATION OF PROGRAM

Funds appropriated to this account are used to administer the various loan and grant programs of the Farmers Home Administration, with the exception of Emergency, Watershed, Flood, and Resource Conservation and Development loans. Funds are made available from the Agricultural Credit Insurance Fund to provide for the Emergency Disaster Program. An annual allotment is received from the Soil Conservation Service to fund the costs of administering Watershed, Flood, and Resource Conservation and Development loans. Administration of the programs includes the reviewing of applications, making and collecting loans, and extending technical assistance to borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $10,492,000 for the administration of loan and grant programs consisting of:

(a) An increase of $23,316,000 for increased operating costs related to automation and program servicing contracts.

Need for Change. The new Automated Field Management System (AFMS) and the Automated Program Delivery System (APDS) will provide automation technology to all full-time FmHA offices when fully implemented. These increased costs will be more than offset through savings in loan programs financed in the revolving funds. Total net savings are estimated to be $64 million per year over the increased operating costs when fully implemented. Special program servicing activities will also be supported from the Salaries and Expenses Appropriation in FY 1987 to continue increased program servicing through contractual arrangements.

Nature of Change. The major increase of $18,316,000 is for costs related to the new automated accounting and administrative management information systems such as long distance data transmission (DEPNET), computer support by the Kansas City Computer Center (KCCC), additional telephone equipment, maintenance, supplies and manuals for Multifunction Workstations. The remaining increase of $5,000,000 is to provide more intensive servicing of FmHA's loan portfolio as mandated by legislative and judicial action.

(b) A decrease of $19,100,000 associated with a reduction in employment of 677 staff years.

Need for Change. The termination of new loans under various FmHA programs decreases loanmaking workload and results in a savings of staff years and administrative funds. Estimated loans decrease from 141,457 in FY 1986 to 66,470 in FY 1987.

Nature of Change. A decrease of $19,100,000 related to the reduction of 677 staff years.

(c) An increase of $4,279,000 for inflation related to non-personnel object classes.

Need for Change. Rents, communications, utilities and equipment costs continue to escalate. The Agency cannot absorb these costs. This increase is based on nationwide inflation factors.

Nature of Change. An increase of $4,279,000 for items other than personnel. This level will provide funds for the basic needs of the Agency.

(d) An increase of $1,397,000 for personnel relocation costs associated with the Relocation Service Companies Program, (RSCP).

Need for Change. P.L. 98-151 and related GSA regulations grant the Secretary of Agriculture authority to provide relocation services to employees. The RSCP is a relocation service program whereby the Government arranges for the purchase of the employee's home by a third party relocation firm. The relocation firm charges the Government between 13-25 percent of the sales price for services rendered.

Nature of Change. The Department is implementing this program through a contract in April 1986. FmHA will be required to fund the RSCP in early 1986. The program covers all employees who reported for duty at Government expense on or after November 14, 1983. FmHA transfers about 850 employees annually on a nationwide basis and approximately 250-300 will have houses to be sold. An increase of $1,397,000 over FY 1986 will provide for full-year implementation of this program in FY 1987.

(e) An increase of $600,000 for increasing the rate of pay for county committee members.

Need for Change. The county committee members of the Farmers Home Administration have not received a pay adjustment for several years. The rate of pay has remained at $21 per day since 1983 and it is becoming increasingly difficult to obtain qualified committee members to serve for pay they feel is inadequate.

Nature of Change. An increase of $600,000 will provide for an increase in the rate of pay for FmHA county committee members from $21 to $30 per day.

FARMERS HOME ADMINISTRATION

Positions Filled, Staff-Years and Average Grade and Salary by Organizational Unit

Organizational Unit	Positions Filled At End of Year			Permanent Full-time	
	Permanent Full-time	Other	Staff-Years	Average Grade	Average Salary
FISCAL YEAR 1985:					
National Office	494	29	514	10.35	$29,760
Finance Office and Field Support	838	104	998	7.02	20,190
State Offices	1,504	99	1,625	9.40	27,030
District Offices	1,171	83	1,243	9.36	26,920
County Offices	6,996	4,076	8,183	7.07	20,330
Total, FmHA	11,003	4,391 1/	12,563	7.77	22,345
FISCAL YEAR 1986: (estimate)					
National Office	517	35	535	10.22	29,390
Finance Office and Field Support	825	98	985	7.00	20,130
State Offices	1,500	95	1,620	9.35	26,890
District Offices	1,170	80	1,240	9.30	26,750
County Offices	7,236	3,492	8,534	7.15	20,510
Total, FmHA	11,248	3,800 1/	12,914	7.82	22,490
FISCAL YEAR 1987: (estimate)					
National Office	482	32	500	10.23	29,420
Finance Office and Field Support	775	94	925	7.02	20,190
State Offices	1,310	89	1,420	9.37	26,950
District Offices	1,020	74	1,080	9.32	26,800
County Offices	6,361	3,261	7,489	7.18	20,650
Total, FmHA	9,848	3,550 1/	11,414	7.85	22,575

1/ Includes non-ceiling employees such as Stay-In-School: FY 1985, 199; FY 1986, 250; and FY 1987, 200.

FARMERS HOME ADMINISTRATION
Salaries and Expenses
Obligations by Organizational Unit 1/
(in thousands rounded)

	Obligations			
Organizational Unit	Personnel Comp. and Benefits	Travel	All other	Total
FISCAL YEAR 1985:				
National Office	$ 20,277	$ 1,145	$ 4,387	$ 25,809
Finance Office and Field Support	22,585	202	5,980	28,767
State Offices	48,814	5,608	9,738	64,160
District Offices	38,905	3,422	7,448	49,775
County Offices	187,214	7,965	49,034	244,213
Total, FmHA	317,795	18,342	76,587	412,724
Less Allocations from other accounts	-35,059	-3,105	-23,741	-61,905
Total, S&E, FmHA	282,736	15,237	52,846	350,819
FISCAL YEAR 1986: (estimate)				
National Office	21,300	1,300	4,500	27,100
Finance Office and Field Support	22,500	220	5,950	28,670
State Offices	49,200	5,550	11,300	66,050
District Offices	39,250	3,380	8,400	51,030
County Offices	197,933	12,509	67,198	277,640
Total, FmHA	330,183	22,959	97,348	450,490
Less Allocations from other accounts	-50,531	-3,142	-18,237	-71,910
Total, S&E, FmHA	279,652	19,817	79,111	378,580
FISCAL YEAR 1987: (estimate)				
National Office	20,100	1,250	4,400	25,750
Finance Office and Field Support	21,300	200	5,650	27,150
State Offices	43,500	5,300	11,850	60,650
District Offices	34,480	3,250	8,750	46,480
County Offices	175,796	12,454	83,359	271,609
Total, FmHA	295,176	22,454	114,009	431,639
Less Allocations from other accounts	-31,937	-2,394	-10,034	-44,365
Total, S&E, FmHA	263,239	20,060	103,975	387,274

1/ Includes reimbursable obligations.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Salaries and Expenses

	1985 Amount	1986 Amount	1987 Amount
Alabama............	9,803,616	10,780,000	10,343,000
Alaska.............	1,347,976	1,482,000	1,422,000
Arizona............	3,828,823	4,210,000	4,039,000
Arkansas...........	11,896,015	13,081,000	12,550,000
California.........	7,858,413	8,641,000	8,290,000
Colorado...........	4,407,815	4,847,000	4,650,000
Connecticut........	1,198,135	1,317,000	1,264,000
Delaware...........	1,766,244	1,942,000	1,863,000
Florida............	6,963,521	7,657,000	7,346,000
Georgia............	10,623,911	11,682,000	11,208,000
Hawaii.............	1,885,783	2,074,000	1,989,000
Idaho..............	6,021,929	6,622,000	6,353,000
Illinois...........	9,916,259	10,904,000	10,461,000
Indiana............	7,930,583	8,720,000	8,367,000
Iowa...............	11,920,379	13,208,000	12,676,000
Kansas.............	7,300,702	8,028,000	7,702,000
Kentucky...........	10,996,505	12,192,000	11,701,000
Louisiana..........	9,216,089	10,134,000	9,720,000
Maine..............	6,305,452	6,933,000	6,652,000
Maryland...........	2,279,784	2,507,000	2,405,000
Massachusetts......	2,601,317	2,806,000	2,744,000
Michigan...........	8,346,246	9,178,000	8,805,000
Minnesota..........	9,856,624	10,838,000	10,399,000
Mississippi........	16,756,358	18,525,000	17,778,000
Missouri...........	12,685,685	14,049,000	13,483,000
Montana............	4,721,193	5,191,000	4,981,000
Nebraska...........	7,085,991	7,792,000	7,476,000
Nevada.............	820,229	902,000	865,000
New Hampshire......	1,570,688	1,727,000	1,657,000
New Jersey.........	3,724,412	4,095,000	3,929,000
New Mexico.........	4,126,194	4,537,000	4,353,000
New York...........	8,936,725	9,827,000	9,428,000
North Carolina.....	15,506,509	17,176,000	16,459,000
North Dakota.......	7,566,212	8,320,000	7,982,000
Ohio...............	7,355,412	8,088,000	7,760,000
Oklahoma...........	9,868,951	10,852,000	10,412,000
Oregon.............	4,736,817	5,209,000	4,997,000
Pennsylvania.......	7,142,434	7,854,000	7,535,000
Rhode Island.......	526,184	579,000	555,000
South Carolina.....	8,019,144	8,818,000	8,460,000
South Dakota.......	6,907,992	7,596,000	7,288,000
Tennessee..........	11,658,393	12,920,000	12,399,000
Texas..............	18,560,248	20,637,000	19,786,000
Utah...............	3,605,429	3,965,000	3,804,000
Vermont............	3,130,884	3,443,000	3,303,000
Virginia...........	9,161,978	10,075,000	9,666,000
Washington.........	5,101,692	5,610,000	5,382,000
West Virginia......	5,213,633	5,733,000	5,[illegible]00,000
Wisconsin..........	9,214,212	10,232,000	9,821,000
Wyoming............	3,207,897	3,527,000	3,384,000
Puerto Rico........	5,825,551	6,406,000	6,146,000
Trust Territories..	697,958	767,000	736,000
Virgin Islands.....	441,167	485,000	465,000
Subtotal...........	358,148,293	394,720,000	378,739,000
National Office....	25,809,000	27,100,000	25,750,000
Finance Office.....	28,767,000	28,670,000	27,150,000
Total, Available or Estimate......	412,724,293	450,490,000	431,639,000

SALARIES AND EXPENSES

STATUS OF PROGRAM

This account is used to finance the operating expenses incurred in the administration of Farmers Home Administration's programs and in the performance of other assigned functions. The funds consist of direct appropriations, transfers from the Agricultural Credit Insurance Fund, allocations from the Soil Conservation Service, and miscellaneous advances and reimbursements from other sources.

Administration of Farmers Home Administration programs in the field is the responsibility of the State Directors who are assisted by program specialists and District and County office staffs.

The principal activities of the Agency include the making and servicing of farm loans, housing loans, and rural development loans.

The following is a brief description of some of the management and other initiatives for cost savings currently being carried out in Farmers Home Administration with Salaries and Expenses and other funds.

Automated Program Delivery System (APDS)

As part of its overall efforts to increase productivity and provide enhanced support to its program activities, FmHA is developing a flexible, integrated, state-of-the-art computerized loan and grant accounting system. This project, the Automated Program Delivery System (APDS), is the Agency's major thrust in the development of standard computerized management systems that are responsive to the needs of the public, FmHA managers and employees, the Congress, and other government entities and will allow for GAO approval of the Agency's accounting system.

The system is being designed to serve the needs of the Agency until at least 1995. The companion Automated Field Management System (AFMS) project will provide the equipment to allow access from County, District, and State Offices for the input and delivery of the loan and grant programs, provide information on a timely basis, and provide local stand-alone office automation capabilities.

When both APDS and AFMS are implemented, the savings to the program funds are estimated to be in excess of $64 million per year over the increased operating costs. This will increase the availability of loan servicing information to the field and decrease cost, delays, and errors caused by the present mail-based procedures. Savings were estimated from effectiveness improvements due to reductions in loan delinquencies and losses based on using freed up time to strengthen servicing, some decreases in the current centralized accounting staff, and interest savings due to reductions in Supervised Bank Account balances. Completion of this project is scheduled for 1988.

Automated Field Management System (AFMS)

This system, which is expected to be implemented before the APDS system, will bring computerized management and full office automation technology to FmHA field offices with the introduction of small business computers known as Multifunction Work Stations (MFWS). These MFWS's and the software will provide telecommunications capability to centralized Agency systems as well as allowing for local office automation and decision support functions. One major application being developed is the automation of the Agency's management card system which is used to track loan status and other functions within the office. This is currently a manual system that is used as the major management tool for field office employees. Automation of this system will include linkage to the Automated Program Delivery System for immediate updating of loan status, delinquencies, etc. Over 70 applications, many in support of the loan decision making and servicing activities, have been identified for automation on the MFWS. Installation of these small computers is expected to begin in field offices during February 1986, and will be completed within two years of that date. A contract for this equipment was awarded by the Department of Agriculture in September, 1985 as part of a joint procurement with the Soil Conservation Service. The contract was awarded to Electronic Data Systems, Inc. for AT&T equipment.

Migration of Accounting Transactions from Finance Office to Field Office

In support of FmHA field office automation objectives, the Finance Office is training State office personnel on various Automated Discrepancy Processing System (ADPS) applications. To date, training has been given on 19 loan making and loan servicing transaction applications (initial entry-manuscription and discrepancy correction), borrower account status inquiry, and program funding status inquiry at the State level. Training is scheduled on 8 additional loan servicing transactions during the November 1985 - February 1986 timeframe.
The transfer of the ADPS applications identified above will result in a number of benefits such as:

- Improving loan making/servicing to FmHA field offices and borrowers.
- Supporting the movement of ADPS applications to the District and County office levels as the multifunction work stations (MFWS) are deployed.
- Providing a base of trained personnel to staff the State Installation and Training Teams for future training of FmHA field offices on related MFWS applications.

Predetermined Amortized Schedule System (PASS)

FmHA is currently implementing a new accounting system to support the Multi-Family Housing loan program so that the amortization of loan principal occurs at the note rate of interest and is unaffected by the granting of interest credit to those borrowers who are qualified. This system also implements applicable provisions of the 1983 Housing Act. Implementation of the first phase occurred in May, 1985.

This project supports the Agency goal of streamlining and simplifying program operations. Specific Multi-Family Housing projects are selected to receive a reduced interest rate (interest credit) based upon the income level of occupants and other considerations. Since the beginning of the program, more of the borrowers' payments on this type of loan have been applied to principal reduction than in the case of borrowers not receiving interest credit, thereby providing a large write- down on the principal on those loans. This system will apply payments to principal based upon the note interest rate, thus providing a more equitable program for all borrowers.

PASS, the use of a regular amortization schedule as used in commercial practice (as opposed to the current daily interest computation), is another objective of the Multi-Family Housing Accounting System (AMAS) and will streamline the accounting system.

Multi-Family Housing Information Tracking and Retrieval (MISTR)

FmHA has implemented a Rural Rental Housing borrower characteristic system that will improve the Agency's ability to monitor its RRH Loan Programs, make sound loans and serve the constituency intended by legislation. The MISTR system data base contains borrower financial characteristics, loan analysis and status information. This system provides facilities for entering and maintaining collected data.

Farmer Program Borrower Characteristics System (FARMS)

FmHA has implemented a Farmer Program borrower characteristics data system that will improve the Agency's ability to monitor the recipient of FmHA's loan programs in order to better identify and serve the clientele intended by legislation.

The FARMS data base contains borrower and financial characteristics, loan analysis and status information, and farm enterprise characteristics. This system will provide facilities for entering, maintaining, and analyzing collected data. Packaged analytical programs and support will be made available to National and State staffs for such analyses.

This system will require no additional information from the field since it uses data from existing documents such as the Farm and Home Plan and the Coordinated Financial Statement System. Under this system, access to data, as well as reports, will be available to program managers in the National and State Offices, enabling them to make better-informed decisions concerning the management and administration of the affected programs.

Rural Community Facility Tracking System (RCFTS)

In an effort to provide more complete and timely information to program managers responsible for Community and Business Programs loans, the RCFTS was respecified. The respecification effort implemented electronic input of data elements, and expansion and refinement of the existing data base.

The respecification enables FmHA to provide quick response to various types of inquiries with up-to-date information. The respecified system permits direct input of data by State Office personnel, thus eliminating an approximate 30-day mail, handling and key punch time lag. The system residence has been changed from Fort Collins to the Kansas City Computer Center.

Information extracted from this system is used for a variety of purposes. They include informational requests for budget hearings, Congress, the general public, Freedom of Information, and to assist in loan servicing activites and various program assessments and reviews. Report requests are now handled more expeditiously and efficiently than with the previous system.

FINANCIAL MANAGEMENT

Concentration Banking and Electronic Funds Transfer Disbursements

The Concentration Banking System (CBS) has improved funds availability for the U.S. Government and the Farmers Home Administration by establishing a system of timely deposit of receipts in local banks, reporting of deposits made, and electronic withdrawal of these deposits for subsequent transfer to the FmHA account at the Federal Reserve Bank in New York. By moving funds electronically, instead of through the mails, FmHA experienced substantial reductions in "float" time for payments on its loans, thereby substantially decreasing the interest expense to the Federal Government.

The Electronic Funds Transfer (EFT) Disbursement System is a modern cash management technique which is triggered by the request for funds for loan disbursement to borrowers sent to the Finance Office from a terminal [illegible] in FmHA State Offices. Funds are delivered electronically to local banks and then to local FmHA offices for distribution. Improvements in the timeliness and reliability of loan disbursement will result in improved service to FmHA borrowers and in substantial interest savings to the Government. FmHA completed implementation of both systems in February 1985.

Pilot Sale of FmHA Notes

The sale of FmHA notes is proposed as a potential means of reducing the size of FmHA's portfolio and freeing field office servicing resources to concentrate on problem cases and thereby offsetting the need for additional staffing. A further purpose of the project is to test the feasibility of marketing FmHA notes to the private sector. FmHA has offered selected borrowers with excellent payment records the opportunity to "buy back" their own notes through refinancing, keeping with the Agency's policy of "graduating" borrowers when they are able to obtain credit elsewhere. Those notes which have not been sold back to borrowers are being packaged and offered for sale to investors.

The evaluation of this project will be the basis for a policy decision concerning whether a larger sales program should be initiated.

Portfolio Management

FmHA has initiated a substantial effort to improve the management of its revolving funds: the Agricultural Credit Insurance Fund (ACIF), the Rural Housing Insurance Fund (RHIF), and the Rural Development Insurance Fund (RDIF). The Agency performs a computerized analysis of anticipated daily cash needs for several weeks in the future. This has enabled FmHA to schedule Treasury borrowings and sales of Certificates of Beneficial Ownership (CBO's) on the days when cash needs are greatest; i.e., when CBO principal or interest payments, or Treasury interest payments are due.

In the past, cash was often obtained before it was needed. Interest expense begins to accrue on the day cash is obtained. By scheduling CBO sales of Treasury borrowing several times during the month, as is now the practice, the Agency has avoided a significant amount of interest expense.

FmHA is also developing an automated Portfolio Management System for managing debt and revolving fund cash flow and for providing long-term cash projections of the portfolio. Agency management will be provided with a quantitative foundation for making better-informed financial decisions affecting the Agency's revolving funds.

There are three objectives of the Portfolio Management System:

- To provide improved financial management and liquidity analyses of the FmHA revolving funds;
- To provide improved long and short-term budget projections and control over Agency cash receipts and disbursements; and
- To provide coordinated and integrated analyses concerning the financial and personnel impacts of management decisions on a geographic or Supervised Bank Accounts program basis.

Supervised Bank Accounts

FmHA has initiated a project to improve the management of its Supervised Bank Accounts (SBA's). As a provider of supervised credit, FmHA requires certain borrowers to keep loan (and other) funds in special bank accounts that require FmHA concurrence when issuing checks. Since there are millions of dollars on deposit nationwide in these special accounts, numerous benefits could be realized through improvements in the management of such accounts.

FmHA is in the process of drafting regulations that will provide for interest earnings to the benefit of the borrwer on such accounts. Other efforts include modifying regulations to "tighten up" the management of funds held in SBA's, and improved monitoring of SBA's and funds held in them.

PRODUCTIVITY/REPORTS ENHANCEMENT

Resource Management System

FmHA has a state-of-the-art productivity measurement system. The Resource Management System (RMS) is an automated work measurement system designed to measure the productivity of FmHA County, District, and State Offices. The measurement scale used in determining production effectiveness and efficiency is a standard time established to be used on the numerous repetitive, accountable tasks. RMS work standards are revised based on an analysis of changes in regulations, work procedures, and the effect such changes have on reported data. Reviews and updates to the time standards are ongoing in order to improve the accuracy of reporting work performed in the field.

Farm and Housing Activity Report (FHAR)

The monthly Farm and Housing Activity Report (FHAR) was designed to allow management to access loan making and loan servicing activities of the FmHA field offices. The monthly FHAR report provides comprehensive management information on the processing of loan applications, loan making and loan servicing activities, borrowers, supervised bank accounts, foreclosures, bankruptcies, and other borrower financial problems. This report provides two levels of detail data: a State and National report compiling State data, and a State report compiling State data for respective County Offices. During the months of October through May, FmHA produces a weekly Farmer Program Applications Activity Report. This report assists managers in loan making efforts, servicing loan accounts, projecting workload, and ensuring that loan activities are directed in the areas most needed.

Interactive Capabilities by State Offices

State Offices will soon have interactive capabilities on field office operating reports. This will provide State Offices with the capabilities to produce a series of structured reports that display Farm and Housing Activity data on their respective County Offices. In addition, States will be able to produce various ad-hoc reports on data elements contained in their County Office Operating Reports or District Office Operating Reports. States will be able to obtain State level management reports to assist in their loan making, servicing decisions, workload projections and production.

Executive Information Summary

The Executive Information Summary (EIS) report was designed to provide State complied data on various FmHA activites to senior management. The report contains data on loan obligations, allocations, delinquencies, foreclosures, personnel, travel, training, census data, principal outstanding, guaranteed loan information such as principal outstanding and delinquencies, applications processed in five major program areas, and various other FmHA servicing activities. The report is produced from data obtained through 14 independent data sources of varying frequency. The 16 page report can be produced for any State on an ad-hoc basis.

TRAINING

Utilization of Multi-Media Techniques for Communication and Training

This effort presently comprises three components: positioning of VCR (video-cassette recording) equipment in field offices; publication of orientation modules to accompany the issuance of new/revised instructions to the field, and publication of training modules. Use of teleconferencing and audiocasettes has been added. Plans are developed to also use computer based training (CBT). Utilizing such techniques has resulted in more accurate and effective communication, more cost-effective communication, increased training flexibility and better results.

DEBT MANAGEMENT

Computer Matching/Salary Offset

The Debt Collection Act of 1982 authorizes Federal agencies to recover delinquent debts owed to the United States by Federal employees through installment collections taken directly from the current pay accounts of these employees. This salary offset may not be implemented under current regulations without the consent of the employee. Regulations to permit mandatory offsets are now being drafted by the Department of Agriculture. Until these regulations are published, FmHA is performing a computer matching process to identify all Department of Agriculture employees who are delinquent on FmHA loans. The Agency then identifies those borrowers for whom salary offset is a viable means of collecting the delinquent debt and requests their approval for its implementation. FmHA is also exploring the feasibility of performing the same type of computer match for all Federal employees.

Implementation of IRS Offset

The Deficit Reduction Act of 1984 enables the Internal Revenue Service (IRS) to work with FmHA, and other selected federal lending agencies, to offset tax refunds that would otherwise be paid to borrowers with delinquent debts. The IRS offset is a major initiative of the Office of Management and Budget (OMB).

IRS recently released regulations empowering the selected agencies to implement the IRS offset. OMB determined that the offset would be limited in 1985 to Single Family Housing borrowers more than six months delinquent. Procedures were drafted for distribution to the field explaining the offset and providing step-by-step instructions.

Reporting to Credit Bureaus

Under authorities in the Debt Collection Act, the Agency is now reporting account information on approximately 270,000 commercial borrowers to credit bureaus. This information will be useful to all Federal agencies to prevent fraud and abuse of Federal loan programs. In addition, FmHA is now developing a pilot program for reporting similar information concerning its delinquent consumer borrowers.

Loan Classification

The Agency is in the process of implementing a loan classification system which will provide FmHA with a detailed analysis of its loan portfolio. The system will provide management with information which will be used to determine policy relative to various classes of farm loan borrowers.

We expect this to provide the kind of information that will allow us to make better use of our personnel resources in that we can target special loan classification groups for more intensive loan servicing and also help in identifying those that need to be graduated to commercial credit.

The program will also identify those loans that are in the loss position and have no reasonable chance of success. This will provide vital management information to the Agency and provide a positive means of making policy decisions in the handling of such accounts.

Contracting for Farm Program Services

Because of necessary limits on staffing, contracting proposals are under review for the pupose of providing relief to the field offices in the area of loan making and loan servicing of farmer program loans. We currently have contracting underway in our field offices for a number of requirements determined necessary to carry on our field operations. Contracting is being used to investigate the unauthorized disposition of chattel property, conduct loan servicing actions such as making farm real estate and chattel appraisals, assist in completing foreclosure and bankruptcy actions, and servicing debt settlement accounts. Loan servicing of farmer program loans under a pilot program and the analysis of farmer program loan borrowers and applicants are two contracting initiatives being conducted under the President's Debt Adjustment Initiatives. Other examples of contracting now include servicing inventory property, auctioneer services, and assistance in the yearly analysis of borrower accounts.

Contracting for Rural Housing Service

FmHA currently has four pilot projects in different stages in which a private firm contracts to service and collect single family monthly payment rural housing loans. The primary objective for these pilots are: (1) improvement in providing effective supervised credit to borrowers by use of a private contractor; (2) development of a more effective and efficient means of collecting and servicing RH loans; (3) improvement in management of RH loan delinquencies, i.e., reducing the number of delinquent accounts and total dollars delinquent; and (4) minimizing the long-run cost to FmHA in fulfilling its mission. Each pilot project is listed below with a brief description and status of the project.

Puerto Rico. A contract has been awarded in Puerto Rico for the servicing and collection of 502 and 504 rural housing loan accounts. The contractor is currently servicing approximately 26,500 current and delinquent accounts in addition to preparing certain servicing action packages for FmHA approval and/or concurrence.

South Carolina. FmHA has evaluated proposals for a pilot project in South Carolina in which a private firm will contract to service and collect single family monthly payment rural housing loans. The successful contract will be required to service and collect approximately 32,500 accounts in the 46 counties in the State.

Pennsylvania. FmHA has evaluated proposals for a pilot project in Pennsylvania in which a private firm will contract to counsel delinquent borrowers and service single family monthly payment rural housing loans. Another objective of this type project is to find more effective methods of providing debt counseling to low-income borrowers. This pilot project will cover a 12-county area in the western portion of Pennsylvania.

Undetermined State. FmHA is developing a pilot project in an as yet undetermined State in which a private firm will contract to service and collect housing loans as above, but to include escrowing for taxes and insurance, and loan accounting functions. This pilot project will enable FmHA to begin testing the feasibility of implementing an escrow system for low-income borrowers.

Contracting for Marketing the Sale of Rural Housing Inventory Property

Over the past several years, the number of properties in Single Family Housing (SFH) inventory has increased. At the current time, FmHA has approximately 14,500 houses in inventory. New property management regulations were issued on July 8, 1985, which encouraged and emphasized the maximum use of contracting for services with the private sector to facilitate the sale of SFH inventory property. Field offices with over 5 houses in inventory are now required to utilize the services of real estate brokers on a nonexclusive basis. Additionally, field offices, with consent of the State Director, may now enter into contracts with real estate brokers on an exclusive basis to facilitate the sale of inventory property. The new regulations also provide that certain properties, with the State Director's consent, may be sold by public auction or sealed bid. With time and personnel restraints on field offices, contracting with the private sector has become an essential tool in maintaining an effective property management portfolio.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Community Fire Protection Grants:

> [For grants pursuant to section 7 of the Cooperative Forestry Assistance Act of 1978 (Public Law 95-313), $3,250,000 to fund up to 50 per centum of the cost of organizing, training, and equipping rural volunteer fire departments.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1987.

Rural Community Fire Protection Grants

Appropriation Act, 1986	$3,250,000
Budget Estimate, 1987	--
Decrease in Appropriation	-3,250,000

Adjustment in 1986		
Appropriation Act, 1986	$3,250,000	
Less Pro-Rata Reduction, P.L. 99-190	-20,000	
Net Appropriation		$3,230,000
Budget Estimate, 1987		--
Decrease in adjusted 1986		-3,230,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Decrease	1987 Estimated
Rural community fire protection grants	$3,234,073	$3,230,000	-$3,230,000	--
Unobligated balance lapsing	15,927	--	--	--
Total appropriation	3,250,000	3,230,000	-3,230,000(1)	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This assistance was authorized by section 7 of the Cooperative Forestry Assistance Act of 1978. Grants are made to public bodies to organize, train, and equip local fire-fighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas.

JUSTIFICATION OF DECREASE

(1) A decrease of $3,230,000 for the rural community fire protection grants ($3,230,000 available in 1986).

Need for Change. This program, if continued, would provide fire-fighting equipment and funds for organizing and training personnel in rural communities to assist in fire control. In fiscal year 1987, communities may compete for funds for these purposes under the Department of Housing and Urban Development's Community Development Block Grant Program. In addition, surplus Government equipment which can be used for fire-fighting is available from the Forest Service.

Nature of Change. No funds are proposed for this program in FY 1987.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Community Fire Protection Grants

	1985 Amount	1986 Amount	1987 Amount
Alabama................	50,400	50,400	--
Alaska.................	60,000	60,000	--
Arizona................	46,400	46,400	--
Arkansas...............	51,700	51,700	--
California.............	125,900	125,900	--
Colorado...............	59,700	59,700	--
Connecticut............	23,300	23,300	--
Delaware...............	16,600	16,600	--
Florida................	67,500	67,500	--
Georgia................	61,300	61,300	--
Hawaii.................	22,400	22,400	--
Idaho..................	35,100	35,100	--
Illinois...............	122,800	122,800	--
Indiana................	84,000	84,000	--
Iowa...................	109,800	109,800	--
Kansas.................	107,600	107,600	--
Kentucky...............	55,600	55,600	--
Louisiana..............	70,000	70,000	--
Maine..................	25,200	25,200	--
Maryland...............	35,100	35,100	--
Massachusetts..........	26,100	26,100	--
Michigan...............	88,300	88,300	--
Minnesota..............	124,400	124,400	--
Mississippi............	51,400	51,400	--
Missouri...............	91,500	91,500	--
Montana................	61,900	61,900	--
Nebraska...............	81,400	81,400	--
Nevada.................	24,600	24,600	--
New Hampshire..........	18,100	18,100	--
New Jersey.............	35,400	35,400	--
New Mexico.............	29,000	29,000	--
New York...............	86,100	86,100	--
North Carolina.........	73,100	73,100	--
North Dakota...........	99,300	99,300	--
Ohio...................	95,200	95,200	--
Oklahoma...............	62,800	62,800	--
Oregon.................	42,600	42,600	--
Pennsylvania...........	95,500	95,500	--
Rhode Island...........	13,900	13,900	--
South Carolina.........	47,000	47,000	--
South Dakota...........	76,300	76,300	--
Tennessee..............	58,100	58,100	--
Texas..................	164,300	164,300	--
Utah...................	30,900	30,900	--
Vermont................	18,600	18,600	--
Virginia...............	50,100	50,100	--
Washington.............	53,200	53,200	--
West Virginia..........	32,100	32,100	--
Wisconsin..............	82,700	82,700	--
Wyoming................	24,000	24,000	--
Puerto Rico............	14,100	14,100	--
Trust Territories......	14,100	14,100	--
Virgin Islands.........	14,100	14,100	--
Administration and Technical Assistance..	123,473	119,400	--
Total, Available or Estimate...........	3,234,073	3,230,000	--

RURAL COMMUNITY FIRE PROTECTION GRANTS

STATUS OF PROGRAM

During fiscal year 1985, 3,400 grants totaling $3,234,073 were made. These grants are made to public bodies to organize, train, and equip local fire-fighting forces including those of Indian tribes or other native groups. These grants are administered by the Forest Service to fund up to 50 percent of the project cost.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Very Low-Income Housing Repair Grants:

> [For grants to the very low-income elderly for essential repairs to dwellings pursuant to section 504 of the Housing Act of 1949, as amended, $12,500,000.]

This change eliminates the appropriation language for this program. No appropriation is requested for FY 1987.

Very Low-Income Housing Repair Grants

Appropriation Act, 1986		$12,500,000
Budget Estimate, 1987		- -
Decrease in Appropriation		-12,500,000
Adjustment in 1986		
Appropriation Act, 1986	$12,500,000	
Less Pro-Rata Reduction, P.L. 99-190	-75,000	
Net Appropriation		12,425,000
Budget Estimate, 1987		--
Decrease under adjusted 1986		-12,425,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 estimated	Decrease	1987 estimated
Rural housing repair grants for the elderly	$12,497,648	$12,425,000	-$12,425,000	- -
Unobligated balance lapsing	2,352	- -	- -	- -
Total appropriation	12,500,000	12,425,000	-12,425,000(1)	- -

Staff years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 504 of Title V of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants to very low-income elderly owner-occupants to make necessary repairs to improve and modernize their dwellings in order to remove safety and health hazards.

The grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, installing screens, repairing or providing structural supports, or making similar repairs, additions, or improvements including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a section 504 very low-income housing repair loan.

The Agency has determined that the total amount of the grant cannot exceed $5,000; and a grant and loan combined cannot exceed $7,500.

JUSTIFICATION OF DECREASE

(1) A decrease of $12,425,000 for the very low-income housing repair grants ($12,425,000 available in 1986).

Need for Change. Federal housing assistance is being consolidated under the Department of Housing and Urban Development (HUD). In the future, housing assistance will be provided in non-metropolitan areas under HUD's programs to meet the needs of very low-income families in a more cost effective manner.

Nature of Change. No appropriation is requested for FY 1987.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Very Low Income Housing Repair Grant Program

	1985 Amount	1986 Amount	1987 Amount
Alabama...........	649,065	643,000	--
Alaska............	8,610	9,000	--
Arizona...........	15,790	16,000	--
Arkansas..........	225,650	223,000	--
California........	279,389	277,000	--
Colorado..........	82,280	81,000	--
Connecticut.......	27,570	27,000	--
Florida...........	154,620	153,000	--
Georgia...........	371,209	367,000	--
Hawaii............	91,000	90,000	--
Idaho.............	28,500	28,000	--
Illinois..........	316,828	314,000	--
Indiana...........	109,096	108,000	--
Iowa..............	72,011	71,000	--
Kansas............	82,910	82,000	--
Kentucky..........	543,110	538,000	--
Louisiana.........	301,410	298,000	--
Maine.............	327,560	324,000	--
Maryland..........	210,160	208,000	--
Massachusetts.....	140,925	140,000	--
Michigan..........	506,335	501,000	--
Minnesota.........	124,820	124,000	--
Mississippi.......	556,560	551,000	--
Missouri..........	272,790	270,000	--
Montana...........	11,850	12,000	--
Nebraska..........	29,610	29,000	--
Nevada............	5,000	5,000	--
New Hampshire.....	43,440	43,000	--
New Jersey........	100,330	99,000	--
New Mexico........	121,920	121,000	--
New York..........	530,763	525,000	--
North Carolina....	950,702	941,000	--
North Dakota......	25,630	25,000	--
Ohio..............	479,740	475,000	--
Oklahoma..........	201,020	199,000	--
Oregon............	140,010	139,000	--
Pennsylvania......	671,325	665,000	--
Rhode Island......	5,750	6,000	--
South Carolina....	276,590	274,000	--
South Dakota......	15,140	15,000	--
Tennessee.........	437,370	433,000	--
Texas.............	768,220	814,000	--
Utah..............	23,480	23,000	--
Vermont...........	75,790	75,000	--
Virginia..........	436,110	432,000	--
Washington........	118,320	117,000	--
West Virginia.....	204,510	202,000	--
Wisconsin.........	272,920	270,000	--
Wyoming...........	14,370	14,000	--
Puerto Rico.......	532,000	527,000	--
Trust Territories..	504,540	499,000	--
Virgin Islands.....	3,000	3,000	--
Total, Available or Estimate.......	12,497,648	12,425,000	--

VERY LOW-INCOME HOUSING REPAIR GRANTS (SEC. 504)

STATUS OF PROGRAM

The program provides grant assistance to very low-income elderly owner-occupants in rural areas to make essential repairs in their homes to remove health and safety hazards. In some cases the grant is made to pay that part of the total cost of the repairs that the elderly homeowner cannot afford with a Section 504 loan even at a one percent interest rate. The total amount of a grant cannot exceed $5,000; and a grant and loan combination cannot exceed $7,500.

Current Activities: Assistance was provided to 3,716 very low-income families in the amount of $12,497,648 to rehabilitate 3,464 units during fiscal year 1985.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Rural Housing Preservation Grants:

[Funds made available by Public Laws 98-396 and 98-473 for rural housing preservation grants shall remain available through September 30, 1986.]

This change eliminates the FY 1986 reappropriation language for this program. No appropriation is requested in FY 1987.

Rural Housing Preservation Grants

Appropriation Act, 1986	$20,000,000
Budget Estimate, 1987	--
Decrease in Appropriation	-20,000,000

PROJECT STATEMENT

(On basis of adjusted appropriation and on the basis of obligations under available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Financial assistance for rural housing preservation	--	$20,000,000	-$20,000,000	--
Total obligations	--	20,000,000	-20,000,000	--
Unobligated balance brought forward	-$15,000,000	--	--	--
Unobligated balance lapsing	20,000,000	--	--	--
Total appropriation	5,000,000	20,000,000	-20,000,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

The above tabulation is based on amounts included in previous appropriation acts and on the basis of estimated obligations on an available funds basis, including balances brought forward from previous years. The Continuing Resolution, P.L. 99-190, made the 1985 unobligated balance lapsing, $20.0 million, available as a reappropriation in 1986.

EXPLANATION OF PROGRAM

This program is authorized under section 533 of the Housing Act of 1949, as amended. Grants are made to eligible nonprofit groups, Indian tribes, and government agencies for the rehabilitation of single family housing, rental and cooperative housing for low and very low income families and to provide assistance payments as provided by section 8 of the Housing Act of 1937 to minimize the displacement of very low income tenants residing in units rehabilitated with assistance under the program.

JUSTIFICATION OF DECREASE

(1) A decrease of $20,000,000 for rural housing preservation grants ($20,000,000 available in FY 1986).

Need for Change. Federal housing assistance is being consolidated under the Department of Housing and Urban Development (HUD). In the future, housing assistance will be provided in non-metropolitan areas under HUD's programs to meet the needs of low income families in a more cost effective manner.

Nature of Change. No funding is requested for FY 1987. In the face of overwhelming budget deficits, there is no reason to extend the life of a program that has not even started operations and for which there are other proven alternatives.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Housing Preservation Grant Program

	1985 Amount	1986 Amount	1987 Amount
Alabama	--	655,000	--
Alaska	--	87,000	--
Arizona	--	246,000	--
Arkansas	--	491,000	--
California	--	709,000	--
Colorado	--	162,000	--
Connecticut	--	100,000	--
Delaware	--	46,000	--
Florida	--	523,000	--
Georgia	--	816,000	--
Hawaii	--	74,000	--
Idaho	--	139,000	--
Illinois	--	516,000	--
Indiana	--	472,000	--
Iowa	--	314,000	--
Kansas	--	236,000	--
Kentucky	--	788,000	--
Louisiana	--	591,000	--
Maine	--	202,000	--
Maryland	--	203,000	--
Massachusetts	--	187,000	--
Michigan	--	603,000	--
Minnesota	--	389,000	--
Mississippi	--	623,000	--
Missouri	--	510,000	--
Montana	--	111,000	--
Nebraska	--	156,000	--
Nevada	--	36,000	--
New Hampshire	--	101,000	--
New Jersey	--	143,000	--
New Mexico	--	218,000	--
New York	--	580,000	--
North Carolina	--	1,017,000	--
North Dakota	--	99,000	--
Ohio	--	726,000	--
Oklahoma	--	372,000	--
Oregon	--	253,000	--
Pennsylvania	--	806,000	--
Rhode Island	--	23,000	--
South Carolina	--	557,000	--
South Dakota	--	134,000	--
Tennessee	--	686,000	--
Texas	--	1,179,000	--
Utah	--	81,000	--
Vermont	--	88,000	--
Virginia	--	631,000	--
Washington	--	293,000	--
West Virginia	--	422,000	--
Wisconsin	--	407,000	--
Wyoming	--	61,000	--
Puerto Rico	--	1,138,000	--
Total, Available or Estimate	--	20,000,000[1]	--

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[1] $20,000,000 carryover from FY 1985, reappropriated in 1986.

RURAL HOUSING PRESERVATION GRANTS (Sec. 533)

STATUS OF PROGRAM

This program will make available grants to eligible private groups, Indian tribes, or government agencies for the rehabilitation of single family housing owned by low and very low-income families, the rehabilitation of rental and cooperative housing for low and very low-income families, and to provide assistance payments as provided by Section 8 of the Housing Act of 1937 to minimize the displacement of very low-income tenants residing in units rehabilitated under the grant programs.

Current Activities: This program was initially funded late in fiscal year 1984 when the Second Supplemental Appropriation Act of 1984 was passed in the amount of $15 million. An additional $5 million was made available in P.L. 98-473, Making Continuing Appropriations for Fiscal Year 1985. This $20 million total will remain available through fiscal year 1986. Public comments received after proposed rule publication in the Federal Register are currently being reviewed. Final regulation issuance is anticipated in 1986.

Rural Rental Assistance Payments

PROJECT STATEMENT
(On basis of appropriation)

Project	1985 Actual	1986 estimated	Decrease	1987 estimated
Rural Rental Assistance Payments	$52,250,000	--	--	--
Total appropriation (obligational authority)	52,250,000	--	--	--

Staff years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 521(a)(2) of the Housing Act of 1949, as amended.

The objective of the program is to reduce rents paid by low-income families living in FmHA financed rental projects and farm labor housing projects. Under this program, low-income tenants will contribute the higher of (1) 30% of monthly adjusted income, (2) 10% of monthly income, or (3) designated housing payment from a welfare agency. Payments are made to the project owner to make up the difference between the tenants' rent payments and the approved rental rates for the units.

The level authorized in the FY 1985 Appropriation Act was $52,250,000 under this separate account for assistance associated with newly constructed rental units. For FY 1986, a limited number of new construction rental assistance units have been authorized under the rental assistance program authorized under the Rural Housing Insurance Fund. In FY 1987, no funding is requested for this separate account or under the RHIF since housing assistance for both urban and rural areas will be provided under the Department of Housing and Urban Development programs.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Rural Rental Assistance Payments

	1985 Amount	1986 Amount	1987 Amount
Alabama............	2,035,000	--	--
Alaska.............	352,000	--	--
Arizona............	561,000	--	--
Arkansas...........	1,738,000	--	--
California.........	2,211,000	--	--
Colorado...........	451,000	--	--
Connecticut........	682,000	--	--
Delaware...........	286,000	--	--
Florida............	2,057,000	--	--
Georgia............	1,628,000	--	--
Hawaii.............	550,000	--	--
Idaho..............	902,000	--	--
Illinois...........	946,000	--	--
Indiana............	1,067,000	--	--
Iowa...............	792,000	--	--
Kansas.............	550,000	--	--
Kentucky...........	1,540,000	--	--
Louisiana..........	1,397,000	--	--
Maine..............	748,000	--	--
Maryland...........	539,000	--	--
Massachusetts......	682,000	--	--
Michigan...........	2,211,000	--	--
Minnesota..........	1,628,000	--	--
Mississippi........	660,000	--	--
Missouri...........	1,287,000	--	--
Montana............	462,000	--	--
Nebraska...........	671,000	--	--
Nevada.............	418,000	--	--
New Hampshire......	363,000	--	--
New Jersey.........	605,000	--	--
New Mexico.........	759,000	--	--
New York...........	1,650,000	--	--
North Carolina.....	2,024,000	--	--
North Dakota.......	385,000	--	--
Ohio...............	1,243,000	--	--
Oklahoma...........	737,000	--	--
Oregon.............	660,000	--	--
Pennsylvania.......	1,353,000	--	--
Rhode Island.......	110,000	--	--
South Carolina.....	1,001,000	--	--
South Dakota.......	440,000	--	--
Tennessee..........	1,177,000	--	--
Texas..............	2,134,000	--	--
Utah...............	869,000	--	--
Vermont............	341,000	--	--
Virginia...........	1,419,000	--	--
Washington.........	1,529,000	--	--
West Virginia......	1,078,000	--	--
Wisconsin..........	924,000	--	--
Wyoming............	308,000	--	--
Puerto Rico........	1,980,000	--	--
Virgin Islands.....	110,000	--	--
Total, Available or Estimate.......	52,250,000	--	--

RURAL RENTAL ASSISTANCE PAYMENTS (SEC. 521)

STATUS OF PROGRAM

The objective of this program is to make decent, safe, and sanitary multiple family rental housing affordable to low-income families. This is done by making rental assistance payments directly to Section 515 rental housing and Section 514 domestic farm labor housing owners to lower the established unit rental rates to levels affordable by the low-income tenants.

The availability of rental assistance promotes the economic viability of rental projects in the more rural and lower income regions where rental housing needs would otherwise not be met. The assurance of a source of stable income from rental assistance also reduces the number of Agency servicing actions required because of financed rental projects experiencing higher than expected vacancies.

This fund was established in FY 1984 for the purpose of funding the rural rental assistance payments contracts associated with new construction Section 515 rental housing and Section 514 farm labor housing projects. The renewal of existing rental assistance contracts, or the assistance of additional units in existing projects for servicing reasons continued to be funded under the Rural Housing Insurance Fund.

Current Activities: During fiscal year 1985, $52,250,000 was obligated under this account to assist 4,750 units associated with newly constructed projects. In its two years of operation, the program has assisted 9,500 units through fiscal year 1985 at a cost of $101,246,250.

An additional 10,500 units were assisted in FY 1985 through renewal agreements for existing projects under the Rural Housing Insurance Fund.

FARMERS HOME ADMINISTRATION

The 1987 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Compensation for Construction Defects:

> [For compensation for construction defects as authorized by section 509(c) of the Housing Act of 1949, as amended, $750,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in FY 1987.

Compensation for Construction Defects

Appropriation Act, 1986		$750,000
Budget Estimate, 1987		- -
Decrease in Appropriation		-750,000
Adjustment in 1986		
Appropriation Act, 1986	$750,000	
Less Pro-Rata Reduction, P.L. 99-190	-5,000	
Net Appropriation		$745,000
Budget Estimate, 1987		--
Decrease under adjusted 1986		-745,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual	1986 Estimated	Decrease	1987 Estimated
Obligations	$526,562	$745,000	-$745,000	--
Unobligated balance lapsing	473,438	--	--	--
Total Appropriation	1,000,000	745,000	-745,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 509(c) of the Housing Act of 1949, as amended. The Secretary of Agriculture is authorized to make expenditures to correct structural defects, or to pay claims of owners arising from such defects on newly constructed dwellings purchased with FmHA financial assistance. Claims will not be paid until provisions under the builder's warranty have been fully pursued. Requests for compensation for construction defects must be made within eighteen months of loan closing.

JUSTIFICATION OF DECREASE

(1) A decrease of $745,000 for compensation for construction defects program ($745,000 available in FY 1986).

Need for Change. The cost of this program is properly borne by builders under a builder's warranty, by posting bond, or any other guarantee or insurance. Functions under this program will be provided through programs of the Department of Housing and Urban Development.

Nature of Change. No appropriation is requested for FY 1987.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Compensation for Construction Defects

	1985 Amount	1986 Amount	1987 Amount
Alabama............	12,842	18,235	--
Arkansas...........	3,080	4,373	--
Colorado...........	2,000	2,840	--
Connecticut........	1,580	2,243	--
Georgia............	1,907	2,707	--
Idaho..............	3,040	4,316	--
Illinois...........	4,400	6,248	--
Indiana............	137,101	191,982	--
Kentucky...........	3,115	4,423	--
Louisiana..........	61,391	87,175	--
Maine..............	11,484	16,307	--
Michigan...........	27,290	38,751	--
Mississippi........	19,352	27,479	--
Missouri...........	7,356	10,445	--
Montana............	1,734	2,462	--
New Hampshire......	24,726	35,110	--
New Jersey.........	1,614	2,291	--
North Carolina.....	20,709	29,406	--
North Dakota.......	8,030	11,402	--
Ohio...............	8,937	12,690	--
Oklahoma...........	2,476	3,515	--
Oregon.............	53,522	76,001	--
Pennsylvania.......	13,188	18,726	--
South Carolina.....	3,900	5,538	--
South Dakota.......	3,941	5,596	--
Tennessee..........	1,650	2,343	--
Texas..............	5,181	7,357	--
Vermont............	22,294	31,657	--
Virginia...........	13,983	19,855	--
Washington.........	7,421	10,537	--
West Virginia......	3,802	5,398	--
Wisconsin..........	20,427	29,006	--
Wyoming............	5,450	7,739	--
Virgin Islands.....	7,639	10,847	--
Total, Available or Estimate.......	526,562	745,000	--

COMPENSATION FOR CONSTRUCTION DEFECTS (SEC. 509)

STATUS OF PROGRAM

The objective of the compensation for construction defects program is to provide financial assistance to FmHA financed purchasers of newly constructed homes found to have structural defects. The program provides funds for final curative actions for borrowers when the protection normally provided by the builder's post-construction warranty cannot be successfully pursued, thus leaving the borrower financially responsible for repairs. Compensation is limited to defects that significantly reduce the useful life or habitability of the dwelling. Restitutive actions can include paying for the cost of repairs and emergency living expenses, or if necessary, acquisition of title when repairs are not practical or possible.

Current Activities: For fiscal year 1985, 153 claims in the amount of $526,562 were processed with the average claim being approximately $3,558.

Self-Help Housing Land Development Fund

PROJECT STATEMENT

(On basis of program level and on basis of
obligations under available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Mutual and self-help housing site loans...	$1,275,000	--	--	--
Total obligations......	1,275,000	--	--	--
Unobligated balance brought forward......	-$3,715,793	-$2,444,784	-$136,000	-$2,580,784
Receipts...............	-3,991	-136,000	-21,000	-157,000
Unobligated balance carried forward......	2,444,784	2,580,784	+157,000	2,737,784
Total appropriation....	--	--	--	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This revolving fund is authorized under Section 523 (b)(1)(B) of the Housing Act of 1949, as amended. The fund is used for making loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations, and cooperatives.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1985 and Estimated 1986 and 1987

Self-Help Housing Land Development Fund

	1985 Amount	1986 Amount	1987 Amount
California.........	1,275,000	--	--
Total, Available or Estimate.......	1,275,000	--	--

SELF-HELP HOUSING LAND DEVELOPMENT FUND

STATUS OF PROGRAM

The fund makes loans available to public or private nonprofit organizations for the acquisition and development of land as building sites to be sold to eligible families, nonprofit organizations, and cooperatives.

Current Activities: For fiscal year 1985, two loans were obligated in the amount of $1,275,000 to finance the development of 130 sites.

Miscellaneous Expiring Appropriations

EXPLANATION OF PROGRAM

This account consolidates the carry-over obligated balances of Rural Housing Supervisory Assistance Grants and Rural Development Grants. No funding has een provided in recent years and no new obligations have been made.

Rural Housing Supervisory Assistance Grants - This program is authorized under section 525 of the Housing Act of 1949, as amended. Grants were made to community-based nonprofit organizations for the purpose of conducting programs of technical and supervisory assistance.

Rural Development Grants - This assistance is authorized by Section 310B(c) of the Consolidated Farm and Rural Development Act, as amended. These grants were made to public bodies to facilitate business enterprises.

No funds were appropriated for fiscal years 1985 or 1986 to these programs, and no funds are requested for fiscal year 1987.

Rural Development Loan Fund

PROJECT STATEMENT

(On basis of adjusted appropriation and
obligations under available funds)

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
Total obligations......	$ 7,432	$ --	$ --	$ --
Offsetting collections.	-1,705,641	-400,000	-24,000	-424,000
Unobligated balance brought forward......	-12,064,659	-13,762,868	-400,000	-14,162,868
Unobligated balance carried forward......	13,762,868	14,162,868	424,000	14,586,868
Total appropriation	--	--	--	--

EXPLANATION OF PROGRAM

The Food Security Act of 1985, Public Law 99-198, provided that all funds available to the Rural Development Loan Fund on the date of enactment be made available for grants until expended. There was no 1986 appropriation to this account, therefore the only funds available to make grants are unobligated balances carried forward from 1985. These grants are to be made to national rural development and finance corporations for the purpose of establishing a rural development program to provide financial and technical assistance to low-income residents.

PASSENGER MOTOR VEHICLES

The 1987 Budget Estimates propose the replacement of two passenger motor vehicles.

The passenger motor vehicles of the Farmers Home Administration are used primarily by the County Supervisors in the Pacific Trust Territories, Guam, and American Samoa for the performance of their daily work. None of the vehicles are used in the 50 United States or Washington, D.C. The vehicles are used in areas where privately-owned vehicles and common carrier facilities are either non-existent, uneconomical, or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at rural housing sites and farm properties. FmHA personnel are required to inspect and appraise homes and farms on which loan applications are pending. They also must visit various properties frequently to perform loan servicing activities.

Passenger motor vehicles are not assigned to one individual exclusively at locations where more than one employee has a need for them. This allows several employees to use a single vehicle and minimizes the number and maintenance costs.

Replacement of passenger motor vehicles. Replacement of two passenger motor vehicle now in operation is proposed. These vehicles are located in the Pacific Trust Territories and must be replaced because of excessive rust and corrosion. The high salt spray content and high humidity of the air in this region are very conducive to corrosion and shorten the serviceability period of motor vehicles.

Age and mileage data for Farmers Home Administration passenger motor vehicles on hand as of September 30, 1985, are as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1977	3	28	40-50	1	9
1983	2	18	30-40	2	18
1984	4	36	20-30	3	28
1985	2	18	Under 20	5	45
Total	11	100	Total	11	100

FARMERS HOME ADMINISTRATION

TOTAL OBLIGATIONS THROUGH FISCAL YEAR 1985

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
BUDGET DIVISION

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1/ Denotes year program discontinued.
Amounts include Direct Loan Cost. Exclude Insured Loan Cost.

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1/ Denotes year program discontinued.
Amounts include Direct Loan Cost. Exclude Insured Loan Cost.

Farm Operating Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1947 Nov.-June ...	132,858	$ 59,787,622	9,466	$ 1,824,459	142,324	$ 61,612,081
1948	62,679	37,126,344	46,251	22,846,855	108,930	59,973,199
1949	63,566	52,847,914	37,066	22,151,722	100,632	74,999,636
1950	49,450	58,293,631	41,799	26,705,150	91,249	84,998,781
1951	31,713	51,997,495	37,584	33,002,146	69,297	84,999,641
1952	24,514	63,905,250	34,374	46,093,093	58,888	109,998,343
1953	24,048	74,755,373	34,437	45,244,558	58,485	119,999,931
1954	34,161	93,985,918	38,976	46,013,232	73,137	139,999,150
1955	22,966	70,797,043	41,675	51,702,905	64,641	122,499,948
1956	25,318	76,856,572	47,136	60,643,427	72,454	137,499,999
1957	27,945	100,193,165	54,353	79,806,829	82,298	179,999,994
1958	23,226	88,926,020	53,650	86,863,563	76,876	175,789,583
1959	22,318	88,872,731	51,257	98,127,209	73,575	186,999,940
1960	21,082	98,353,180	48,334	98,746,819	69,416	197,099,999
1961	26,110	123,434,870	48,630	108,665,130	74,740	232,100,000
1962	24,378	143,025,215	50,299	131,974,785	74,677	275,000,000
1963	23,770	149,776,720	54,222	150,223,280	77,992	300,000,000
1964	22,939	139,637,260	53,672	160,362,740	76,611	300,000,000
1965	24,127	146,510,340	48,470	153,489,660	72,597	300,000,000
1966	18,255	115,620,870	46,488	159,379,130	64,743	275,000,000
1967	18,893	131,918,850	46,006	168,081,150	64,899	300,000,000
1968	15,784	119,917,490	36,537	155,082,510	52,321	275,000,000

Farm Operating Loans - Continued
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1969	16,234	$127,094,340	34,577	$147,905,630	50,811	$274,999,970
1970	14,247	114,416,920	32,410	160,583,048	46,657	274,999,968
1971	13,635	125,499,360	28,545	149,500,631	42,180	274,999,9991
1972	16,649	181,229,350	27,196	156,056,468	43,845	337,285,818
1973 Direct	2,292	28,012,380	4,392	23,277,147	6,684	51,289,527
Insured	16,880	209,317,370	27,416	194,037,480	44,296	403,354,850
Total	19,172	237,329,750	31,808	217,314,627	50,980	454,644,377
1974 Insured	23,438	267,187,040	29,890	242,445,070	53,328	509,632,110
Guaranteed ..	527	15,229,161	10	132,550	537	15,361,711
Total	23,965	282,416,201	29,900	242,577,620	53,865	524,993,821
1975 Insured	19,995	285,204,760	28,619	247,703,710	48,614	532,908,470
Guaranteed ..	565	17,061,918	75	816,362	640	17,878,280
Total	20,560	302,266,678	28,694	248,520,072	49,254	550,786,750
1976 Insured	16,912	271,399,998	26,771	258,105,260	43,683	529,505,258
Guaranteed ..	260	8,129,770	105	1,582,405	365	9,712,175
Total	17,172	279,529,768	26,876	259,687,665	44,048	539,217,433
TQ Insured	2,104	35,538,790	4,995	40,653,190	7,099	76,191,980
Guaranteed ..	16	604,723	10	78,800	26	683,523
Total	2,120	36,143,513	5,005	40,731,990	7,125	76,875,503
1977 Insured	15,600	280,125,450	24,770	257,601,650	40,370	537,727,100
Guaranteed ..	109	3,644,810	60	971,380	169	4,616,190
Total	15,709	283,770,260	24,830	258,573,030	40,539	542,343,290
1978 Insured	22,116	464,576,260	27,218	313,421,910	49,334	777,998,170
Guaranteed ..	60	2,065,780	20	563,850	80	2,629,630
Total	22,176	466,642,040	27,238	313,985,760	49,414	780,627,800
1979 Insured	18,895	538,265,420	18,831	340,821,760	37,726	879,087,180
Guaranteed ..	184	14,276,310	32	1,390,410	216	15,666,720
Total	19,079	552,541,730	18,863	342,212,170	37,942	894,753,900
1980 Insured	17,252	543,049,630	14,597	306,949,300	31,849	849,998,930
Guaranteed ..	316	22,546,670	46	2,283,400	362	24,830,070
Total	17,568	565,596,300	14,643	309,232,700	32,211	874,829,000

Farm Operating Loans - Continued
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1981	Insured	17,870	$ 583,487,740	11,626	$ 239,126,260	29,496	$822,614,000
	Guaranteed ..	287	22,239,810	55	2,749,550	342	24,989,360
	Total	18,157	605,727,550	11,681	241,875,810	29,838	847,603,360
1982	Insured	20,845	692,545,106	23,525	511,134,420	44,370	1,203,679,526
	Guaranteed ..	465	41,793,740	84	5,535,533	549	47,329,273
	Total	21,310	734,338,846	23,609	516,669,953	44,919	1,251,008,799
1983	Insured	24,723	929,278,990	31,349	755,720,960	56,072	1,684,999,950
	Guaranteed ..	385	42,935,480	103	7,611,870	488	50,547,350
	Total	25,108	972,214,470	31,452	763,332,830	56,560	1,735,547,300
1984	Insured	23,874	979,475,927	35,328	980,233,615	59,202	1,959,709,542
	Guaranteed ..	805	96,701,285	160	14,743,215	965	111,444,500
	Total	24,679	1,076,177,212	35,488	994,976,830	60,167	2,071,154,042
1985	Insured	31,092	1,936,152,414	45,412	1,663,815,143	76,504	3,599,967,557
	Guaranteed ..	7,989	967,671,142	1,704	139,178,820	9,693	1,106,849,962
	Total	39,081	2,903,823,556	47,116	1,802,993,963	86,197	4,706,817,519
Total (Thru 1985)							
Direct		803,157	2,662,792,223	1,087,802	2,544,353,276	1,890,959	5,207,145,499
Insured		271,596	8,015,604,895	350,347	6,351,769,728	621,943	14,367,374,623
Guaranteed		11,968	1,254,900,599	2,464	177,638,145	14,432	1,432,538,744
Total		1,086,721	11,933,297,717	1,440,613	9,073,761,149	2,527,334	21,007,058,866

Farm Ownership Program
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1938 Direct	1,864	$ 9,167,716	--	$ ---	1,864	$ 9,167,716
1939 Direct	4,270	23,983,555	298	162,168	4,568	24,145,723
1940 Direct	6,170	36,972,238	355	192,951	6,525	37,165,189
1941 Direct	8,666	47,911,284	110	73,261	8,776	47,984,545
1942 Direct	8,246	47,898,805	370	77,967	8,616	47,976,772
1943 Direct	5,144	29,424,639	1,125	1,845,815	6,269	31,270,454
1944 Direct	3,378	19,009,264	2,325	3,065,478	5.703	22,074,742
1945 Direct	1,870	10,358,691	1,038	1,381,281	2,908	11,739,972
1946 Direct	3,657	27,571,712	271	449,032	3,928	28,020,744
1947 Direct	5,807	43,520,698	99	1,882,482	5,906	45,403,180
1948 Direct	1,904	13,871,780	278	529,229	2,182	14,401,009
Insured	352	2,490,910	---	---	352	2,490,910
Total	2,256	16,362,690	278	529,229	2,534	16,891,919
1949 Direct	1,906	13,982,474	465	907,757	2,371	14,890,231
Insured	1,181	8,116,155	---	---	1,181	8,116,155
Total	3,087	22,098,629	465	907,757	3,552	23,006,386
1950 Direct	1,747	13,761,246	546	1,237,330	2,293	14,998,576
Insured	2,268	17,125,004	---	---	2,268	17,125,004
Total	4,015	30,886,250	546	1,237,330	4,561	32,123,580
1951 Direct	2,076	19,234,749	1,380	3,035,280	3,456	22,270,029
Insured	2,205	17,870,799	17	53,764	2,222	17,924,563
Total	4,281	37,105,548	1,397	3,089,044	5,678	40,194,592
1952 Direct	1,550	16,314,359	887	2,685,055	2,437	18,999,414
Insured	1,131	10,660,677	38	112,273	1,169	10,772,950
Total	2,681	26,975,036	925	2,797,328	3,606	29,772,364
1953 Direct	1,431	16,154,278	856	2,839,590	2,287	18,993,868
Insured	1,049	10,512,765	48	176,462	1,097	10,689,227
Total	2,480	26,667,043	904	3,016,052	3,384	29,683,095
1954 Direct	1,523	17,424,577	590	2,114,087	2,113	19,538,664
Insured	872	9,428,783	27	102,010	899	9,530,793
Total	2,395	26,853,360	617	2,216,097	3,012	29,069,457

Farm Ownership Program- Continued
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1955	Direct	1,466	$ 17,151,687	500	$ 1,847,513	1,966	$ 18,999,200
	Insured	2,909	31,667,227	60	265,973	2,969	31,933,200
	Total	4,375	48,818,914	560	2,113,486	4,935	50,932,400
1956	Direct	1,300	17,039,160	418	1,960,839	1,718	18,999,999
	Insured	3,198	37,604,571	220	1,312,552	3,418	38,917,123
	Total	4,498	54,643,731	638	3,273,391	5,136	57,917,122
1957	Direct	3,196	43,184,849	506	3,122,987	3,702	46,307,836
	Insured	2,297	28,772,334	155	999,196	2,452	29,771,530
	Total	5,493	71,957,183	661	4,122,183	6,154	76,079,366
1958	Direct	1,515	21,632,508	350	2,365,578	1,865	23,998,
	Insured	1,886	25,330,421	139	939,751	2,025	26,270,1
	Total	3,401	46,962,929	489	3,305,329	3,890	50,268,
1959	Direct	1,653	26,423,460	351	2,576,478	2,004	28,999,938
	Insured	2,305	34,613,235	143	1,120,359	2,448	35,733,594
	Total	3,958	61,036,695	494	3,696,837	4,452	64,733,532
1960	Direct	1,375	23,693,560	387	3,193,631	1,762	26,887,191
	Insured	1,127	16,286,185	77	598,553	1,204	16,884,738
	Total	2,502	39,979,745	464	3,792,184	2,966	43,771,929
1961	Direct	1,718	28,180,810	435	3,719,190	2,153	31,900,000
	Insured	1,702	24,346,250	116	983,138	1,818	25,329,388
	Total	3,420	52,527,060	551	4,702,328	3,971	57,229,388
1962	Direct	2,373	37,082,003	385	2,917,995	2,758	39,999,998
	Insured	8,570	138,442,309	460	4,565,371	9,030	143,007,680
	Total	10,943	175,524,312	845	7,483,366	11,788	183,007,678
1963	Direct	2,143	31,406,746	333	1,996,077	2,476	33,402,823
	Insured	11,143	180,793,725	788	7,559,450	11,931	188,353,175
	Total	13,286	212,200,471	1,121	9,555,527	14,407	221,755,998
1964	Direct	2,210	35,331,230	731	4,549,970	2,941	39,881,200
	Insured	8,851	149,568,730	1,766	16,831,440	10,617	166,400,170
	Total	11,061	184,899,960	2,497	21,381,410	13,558	206,281,370
1965	Direct	2,525	38,940,150	857	6,059,840	3,382	44,999,990
	Insured	7,360	123,355,820	1,444	14,235,480	8,804	137,591,300
	Total	9,885	162,295,970	2,301	20,295,320	12,186	182,591,290

Farm Ownership Program - Continued
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1966 Direct	613	$ 8,336,570	314	$ 1,663,393	927	$ 9,999,963
Insured	10,919	197,470,340	2,433	25,767,120	13,352	223,237,460
Total	11,532	205,806,910	2,747	27,430,513	14,279	233,237,423
1967 Direct	283	4,279,230	81	720,769	364	4,999,999
Insured	10,818	222,307,980	2,805	32,691,620	13,623	254,999,600
Total	11,101	226,587,210	2,886	33,412,389	13,987	259,999,599
1968 Direct	286	4,065,600	84	933,395	370	4,998,995
Insured	8,117	172,223,550	2,327	27,776,349	10,444	199,999,899
Total	8,403	176,289,150	2,411	28,709,744	10,814	204,998,894
1969 Direct	226	4,135,340	67	863,482	293	4,998,822
Insured	10,299	232,911,700	3,110	39,209,570	13,409	272,121,270
Total	10,525	237,047,040	3,177	40,073,052	13,702	277,120,092
1970 Direct	174	4,344,130	44	661,545	218	5,005,675
Insured	8,470	218,605,390	2,803	37,885,510	11,273	256,490,900
Total	8,644	222,949,520	2,847	38,547,055	11,491	261,496,575
1971 Direct	157	4,475,780	43	961,698	200	5,437,478
Insured	8,365	226,085,130	2,391	36,913,560	10,756	262,998,690
Total	8,522	230,560,910	2,434	37,875,258	10,956	268,436,168
1972 Direct	--	--	--	258,419	--	258,419
Insured	10,718	302,220,690	3,037	53,282,910	13,755	355,503,600
Total	10,718	302,220,690	3,037	53,541,329	13,755	355,762,019
1973 Direct	--	--	--	28,440	--	28,440
Insured	12,593	356,058,150	2,899	52,030,780	15,492	408,088,930
Total	12,593	356,058,150	2,899	52,059,220	15,492	408,117,370
1974 Insured	8,714	290,709,360	3,267	60,666,670	11,981	351,376,030
Guaranteed..	14	772,900	2	12,500	16	785,400
Total	8,728	291,482,260	3,269	60,679,170	11,997	352,161,430
1975 Insured	7,530	285,667,030	3,048	65,024,420	10,578	350,691,450
Guaranteed .	20	941,311	0	0	20	941,311
Total	7,530	286,608,341	3,048	65,024,420	10,598	351,632,761

Farm Ownership Program - Continued
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1976	Insured ...	8,568	$ 366,508,870	2,785	$ 67,751,228	11,353	$ 434,260,098
	Guaranteed	15	695,700	3	49,000	18	744,700
	Total ...	8,583	367,204,570	2,788	67,800,228	11,371	435,004,798
TQ	Insured ...	2,422	106,627,940	846	21,984,220	3,268	128,612,160
	Guaranteed	4	398,900	1	68,900	5	467,800
	Total ...	2,426	107,026,840	847	22,053,120	3,273	129,079,960
1977	Insured ...	8,342	378,214,650	2,767	72,307,630	11,109	450,522,280
	Guaranteed	11	702,200	2	15,500	13	717,700
	Total ...	8,353	378,916,850	2,769	72,323,130	11,122	451,239,980
1978	Insured ...	9,380	473,990,730	2,631	76,580,270	12,011	550,571,000
	Guaranteed	4	275,500	0	0	4	275,500
	Total ...	9,384	474,266,230	2,631	76,580,270	12,015	550,846,500
1979	Insured ...	10,090	656,862,290	2,389	95,465,200	12,479	752,327,490
	Guaranteed	89	10,837,280	0	0	89	10,837,280
	Total ...	10,179	667,699,570	2,389	95,465,200	12,568	763,164,770
1980	Insured ...	10,374	815,741,960	2,345	110,455,770	12,719	926,197,730
	Guaranteed	242	26,996,190	11	858,160	253	27,854,350
	Total ...	10,616	842,738,150	2,356	111,313,930	12,972	954,052,080
1981	Insured ...	8,865	671,190,150	2,828	124,162,920	11,693	795,353,070
	Guaranteed	149	16,973,670	11	958,370	160	17,932,040
	Total ...	9,014	688,163,820	2,839	125,121,290	11,853	813,285,110
1982	Insured ...	6,783	517,398,900	3,406	140,348,190	10,189	657,747,090
	Guaranteed	38	3,595,248	3	261,000	41	3,856,248
	Total ...	6,821	520,994,148	3,409	140,609,190	10,230	661,603,338
1983	Insured ...	6,802	575,404,700	3,286	154,142,260	10,088	729,546,960
	Guaranteed	100	18,458,420	10	1,574,000	110	20,032,420
	Total ...	6,902	593,863,120	3,296	155,716,260	10,198	749,579,380
1984	Insured ...	5,900	536,096,010	2,556	123,095,641	8,456	659,191,651
	Guaranteed	240	38,763,460	21	2,740,750	261	41,504,210
	Total ...	6,140	574,859,470	2,577	125,836,391	8,717	700,695,861
1985	Insured ...	5,397	540,284,380	2,027	112,307,484	7,424	652,591,864
	Guaranteed	429	65,438,804	24	2,488,090	453	67,926,894
	Total ...	5,826	605,723,184	2,051	114,795,574	7,877	720,518,758
Total (thru 1985)							
	Direct ...	84,422	756,264,878	16,879	62,880,002	101,301	819,144,880
	Insured ..	239,872	9,009,565,800	61,484	1,579,705,094	301,356	10,589,270,894
	Guaranteed	1,355	184,849,583	88	9,026,270	1,443	193,875,853
	Total	325,649	9,950,680,261	78,451	1,651,611,366	404,100	11,602,291,627

Emergency Disaster Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1949	302	$ 986,689	----	$ ---	302	$ 986,689
1950	25,418	31,501,090	---	58,550	25,418	31,559,640
1951	8,938	12,953,220	4,353	7,385,833	13,291	20,339,053
1952	17,668	25,850,476	3,636	6,562,021	21,304	32,412,497
1953	28,109	34,946,198	7,239	9,011,581	35,348	43,957,779
1954	36,871	81,999,765	9,490	11,461,028	46,361	93,460,793
1955	40,999	60,760,762	15,473	28,413,767	56,472	89,174,529
1956	33,541	63,182,088	12,306	23,861,905	45,847	87,043,993
1957	16,521	33,564,403	11,919	32,635,200	28,440	66,199,603
1958	12,964	33,533,941	11,296	29,988,615	24,260	63,522,556
1959	4,968	18,402,925	6,437	21,447,884	11,405	39,850,809
1960	5,319	11,009,260	3,884	11,955,231	9,203	22,964,491
1961	5,433	17,294,470	2,508	9,281,181	7,941	26,575,651
1962	16,107	50,114,260	4,754	13,225,816	20,861	63,340,076
1963	13,447	45,421,785	5,897	17,057,454	19,344	62,479,239
1964	10,357	33,263,300	4,945	16,934,483	15,302	50,197,783
1965	16,743	60,183,375	5,547	18,263,786	22,290	78,447,161
1966	18,273	77,420,090	6,098	23,069,241	24,371	100,489,331
1967	15,765	66,425,255	6,409	28,197,013	22,174	94,622,268
1968	16,124	77,528,270	6,104	30,646,155	22,228	108,174,425
1969	13,509	75,427,940	7,177	39,288,213	20,686	114,716,153

Emergency Disaster Loans - Continued
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1970		7,800	$ 56,364,080	4,978	$ 33,066,080	12,778	$ 89,430,160
1971		16,025	101,216,425	3,779	26,419,481	19,804	127,635,906
1972	Direct ...	2,750	22,338,460	1,127	7,165,739	3,877	29,504,199
	Insured ..	6,966	61,082,170	2,136	18,325,440	9,102	79,407,610
	Total ..	9,716	83,420,630	3,263	25,491,179	12,979	108,911,809
1973	Direct ...	--	--	--	456	--	456
	Insured ..	124,783	527,727,353	3,884	30,038,786	128,667	557,766,139
	Total ..	124,783	527,727,353	3,884	30,039,242	128,667	557,766,595
1974	Insured ..	22,015	117,311,657	418	10,975,112	22,433	128,286,769
	Guaranteed	1	50,000	--	--	1	50,000
	Total ..	22,016	117,361,657	418	10,975,112	22,434	128,336,769
1975	Insured ..	40,774	671,066,945	696	12,594,694	41,470	683,661,639
	Guaranteed	2,202	51,196,838	3	162,060	2,205	51,358,898
	Total ..	42,976	722,263,783	699	12,756,754	43,675	735,020,537
1976	Insured ..	10,705	286,268,535	4,972	155,410,835	15,677	441,679,370
	Guaranteed	1,175	35,126,979	26	905,470	1,201	36,032,449
	Total ..	11,880	321,395,514	4,998	156,316,305	16,878	477,711,819
TQ	Insured ...	642	19,951,970	921	21,021,950	1,563	40,973,920
	Guaranteed	13	541,750	1-	13,060-	12	528,690
	Total .	655	20,493,720	920	21,008,890	1,575	41,502,610
1977	Insured ...	16,453	506,614,910	19,036	660,632,020	35,489	1,167,246,930
	Guaranteed	213	9,094,170	67	2,046,880	280	11,141,050
	Total ...	16,666	515,709,080	19,103	662,678,900	35,769	1,178,387,980
1978	Insured ...	48,157	1,557,910,230	40,941	1,853,142,030	89,098	3,411,052,260
	Guaranteed	9	313,340	12	442,600	21	755,940
	Total ...	48,166	1,558,223,570	40,953	1,853,584,630	89,119	3,411,808,200
1979	Insured ...	24,833	968,817,450	38,073	1,901,321,880	62,906	2,870,139,330
	Guaranteed	5	1,208,630	2	293,800	7	1,502,430
	Total ...	24,838	970,026,080	38,075	1,901,615,680	62,913	2,871,641,760
1980	Insured ..	16,127	473,962,490	38,267	1,792,927,830	54,394	2,266,890,320

Emergency Disaster Loans - Continued
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1981 Insured ...	51,871	$1,550,820,070	87,119	$3,561,470,360	138,990	$5,112,290,430
1982 Insured ...	6,101	222,528,630	36,762	1,950,883,570	42,863	2,173,412,200
1983 Insured ...	1,027	43,478,210	7,744	522,459,290	8,771	565,937,500
1984 Insured ...	20,437	499,991,229	14,560	551,635,927	34,997	1,051,627,156
1985 Insured ...	8,010	261,187,150	6,050	229,689,488	14,060	490,876,638
Total (thru 1985)						
Direct ...	383,951	1,091,688,527	145,356	445,396,713	529,307	1,537,085,240
Insured ..	398,901	7,768,718,999	301,579	13,272,529,212	700,480	21,041,248,211
Guaranteed	3,618	97,531,707	109	3,837,750	3,727	101,369,457
	786,470	8,957,939,233	447,044	13,721,763,675	1,233,514	22,679,702,908

Economic Emergency Loans
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1978	Insured ...	1,364	$103,683,710	97	$ 4,276,470	1,461	$ 107,960,180
	Guaranteed	2	335,000	0	0	2	335,000
	Total ...	1,366	104,018,710	97	4,276,470	1,463	108,295,180
1979	Insured ...	38,481	2,631,580,280	7,855	322,912,920	46,336	2,954,493,200
	Guaranteed	907	129,346,070	59	5,646,660	966	134,992,730
	Total ...	39,388	2,760,926,350	7,914	328,559,580	47,302	3,089,485,930
1980	Insured ...	27,563	1,463,134,740	16,406	613,477,600	43,969	2,076,612,340
	Guaranteed	761	94,251,110	157	14,619,690	918	108,870,800
	Total ...	28,324	1,557,385,850	16,563	628,097,290	44,887	2,185,483,140
1981	Insured ...	12,036	600,657,480	14,600	560,015,150	26,636	1,160,672,630
	Guaranteed	565	70,419,600	147	14,261,800	712	84,681,400
	Total ...	12,601	671,077,080	14,747	574,276,950	27,348	1,245,354,030
1982	--	--	---	--	---	--	---
1983	--	--	---	--	---	--	---
1984	Insured	2,795	235,347,020	1,266	74,041,750	4,061	309,388,770
	Guaranteed..	1,505	265,980,910	204	23,964,020	1,709	289,944,930
	Total	4,300	501,327,930	1,470	98,005,770	5,770	599,333,700
1985	--	--	---	--	---	--	---
Total (thru 1985)							
	Insured	82,239	5,034,403,230	40,224	1,574,723,890	122,463	6,609,127,120
	Guaranteed..	3,740	560,332,690	567	58,492,170	4,307	618,824,860
	Total	85,979	5,594,735,920	40,791	1,633,216,060	126,770	7,227,951,980

Guaranteed Emergency Livestock Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1975	2,988	$ 351,966,500	33	$ 920,960	3,021	$ 352,887,460
1976	2,265	313,924,458	115	17,136,232	2,380	331,060,690
TQ	537	79,716,160	79	14,719,700	616	94,435,860
1977	1,086	158,559,500	87	14,544,270	1,173	173,103,770
1978	416	69,535,230	35	5,601,790	451	75,137,020
1979	74	14,451,870	23	4,583,460	97	19,035,330
Total (thru 1979)..	7,366	988,153,718	372	57,506,412	7,738	1,045,660,130

Soil and Water Loans
To Individuals
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1955	Direct	245	$ 490,955	3	$ 4,500	248	$ 495,455
	Insured	2,821	14,800,463	95	370,266	2,916	15,170,729
	Total	3,066	15,291,418	98	374,766	3,164	15,666,184
1956	Direct	339	676,267	44	78,522	383	754,789
	Insured	1,790	9,557,057	114	373,600	1,904	9,930,657
	Total	2,129	10,233,324	158	452,122	2,287	10,685,446
1957	Direct	804	4,343,335	81	249,380	885	4,592,715
	Insured	610	3,173,384	54	162,855	664	3,336,239
	Total	1,414	7,516,719	135	412,235	1,549	7,928,954
1958	Direct	516	2,582,790	77	257,407	593	2,840,197
	Insured	185	809,570	32	133,830	217	943,400
	Total	701	3,392,360	109	391,237	810	3,783,597
1959	Direct	577	2,475,955	70	254,082	647	2,730,037
	Insured	186	979,585	21	112,420	207	1,092,005
	Total	763	3,455,540	91	366,502	854	3,822,042
1960	Direct	267	1,059,320	39	133,233	306	1,192,553
	Insured	188	783,340	22	89,920	210	873,260
	Total	455	1,842,660	61	223,153	516	2,065,813
1961	Direct	253	1,286,105	36	119,947	289	1,406,052
	Insured	216	850,980	11	40,730	227	891,710
	Total	469	2,137,085	47	160,677	516	2,297,762
1962	Direct	465	2,009,040	54	194,712	519	2,203,752
	Insured	397	2,393,495	37	216,530	434	2,610,025
	Total	862	4,402,535	91	411,242	953	4,813,777
1963	Direct	345	938,375	18	61,188	363	999,563
	Insured	510	3,437,690	31	217,720	541	3,655,410
	Total	855	4,376,065	49	278,908	904	4,654,973
1964	Direct	362	971,060	27	81,716	389	1,052,776
	Insured	465	3,050,430	46	299,020	511	3,349,450
	Total	827	4,021,490	73	380,736	900	4,402,226
1965	Direct	391	1,385,300	47	143,263	438	1,528,563
	Insured	277	1,830,860	29	172,280	306	2,003,140
	Total	668	3,216,160	76	315,543	744	3,531,703

Soil and Water Loans - Continued
To Individuals
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1966	Direct	492	$ 1,911,420	26	$ 89,849	518	$ 2,001,269
	Insured	279	1,593,440	32	179,650	311	1,773,090
	Total	771	3,504,860	58	269,499	829	3,774,359
1967	Direct	315	892,490	24	107,447	339	999,937
	Insured	454	2,308,810	40	225,980	494	2,534,790
	Total	769	3,201,300	64	333,427	833	3,534,727
1968	Direct	344	946,240	19	53,583	363	999,823
	Insured	906	4,704,030	58	294,170	964	4,998,200
	Total	1,250	5,650,270	77	347,753	1,327	5,998,023
1969	Direct	569	2,855,450	48	144,221	617	2,999,671
	Insured	315	1,797,670	32	202,060	347	1,999,730
	Total	884	4,653,120	80	346,281	964	4,999,401
1970	Direct	74	174,730	8	63,462	82	238,192
	Insured	786	3,755,730	69	291,910	855	4,047,640
	Total	860	3,930,460	77	355,372	937	4,285,832
1971	Direct	393	2,313,950	30	248,547	423	2,562,497
	Insured	816	4,493,000	56	251,400	872	4,744,400
	Total	1,209	6,806,950	86	499,947	1,295	7,306,897
1972	Direct	--	--	--	946	—	946
	Insured	844	4,339,610	47	232,970	891	4,572,580
	Total	844	4,339,610	47	233,916	891	4,573,526
1973	Direct	--	--	--	65	—	65
	Insured	677	3,544,060	79	430,935	756	3,974,995
	Total	677	3,544,060	79	431,000	756	3,975,060
1974	Insured ...	436	3,246,810	45	380,390	481	3,627,200
1975	Insured ...	328	2,856,970	30	257,840	358	3,114,810
1976	Insured ...	2,160	30,978,000	132	1,583,600	2,292	32,561,600
	Guaranteed	1	800	0	0	1	800
	Total ...	2,161	30,978,800	132	1,583,600	2,293	32,562,400
TQ Insured		1,142	17,216,790	96	1,291,030	1,238	18,507,820

Soil and Water Loans - Continued
To Individuals
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1977	Insured	3,457	$ 58,169,090	338	$ 4,322,180	3,795	$ 62,491,270
1978	Insured	3,015	48,604,950	424	4,948,030	3,439	53,552,980
1979	Insured	2,144	45,091,120	353	6,261,610	2,497	51,352,730
	Guaranteed	2	81,110	1	45,500	3	126,610
	Total	2,146	45,172,230	354	6,307,110	2,500	51,479,340
1980	Insured	2,204	46,409,710	391	7,604,730	2,595	54,014,440
	Guaranteed	7	621,460	0	0	7	621,460
	Total	2,211	47,031,170	391	7,604,730	2,602	54,635,900
1981	Insured	1,881	40,680,720	367	8,060,180	2,248	48,740,900
	Guaranteed	5	792,540	3	79,290	8	871,830
	Total	1,886	41,473,260	370	8,139,470	2,256	49,612,730
1982	Insured	1,124	20,649,750	225	4,127,190	1,379	24,776,940
1983	Insured	707	10,359,040	150	1,853,370	857	12,212,410
1984	Insured	648	10,842,070	123	1,698,290	771	12,540,360
1985	Insured	433	8,389,640	81	1,374,090	514	9,763,730
Total (thru 1985)							
	Direct	6,751	27,312,782	651	2,286,070	7,402	29,598,852
	Insured ...	32,401	411,697,864	3,690	48,060,776	36,091	459,758,640
	Guaranteed	15	1,495,910	4	124,790	19	1,620,700
	Total ...	39,167	440,506,556	4,345	50,471,636	43,512	490,978,192

Bureau of Reclamation, Soil and Water Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1977	283	$4,935,550	—	—	283	$4,935,550
Total ..	283	4,935,550	—	—	283	4,935,550

Water Facilities Loans
To Individuals
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1939	306	$ 183,002	--	--	306	$ 183,002
1940	907	447,543	--	--	907	447,543
1941	787	420,651	379	146,974	1,166	567,625
1942	1,359	650,861	293	95,429	1,652	746,290
1943	888	426,562	466	182,399	1,354	608,961
1944	645	541,961	332	200,616	977	742,577
1945	1,008	590,952	88	45,368	1,096	636,320
1946	1,053	822,029	102	50,290	1,155	872,319
1947	901	1,081,161	154	129,507	1,055	1,210,668
1948	767	1,121,875	87	78,777	854	1,200,652
1949	751	1,214,526	79	82,030	830	1,296,556
1950	1,192	2,305,524	85	84,061	1,277	2,389,585
1951	1,327	2,977,384	103	118,051	1,430	3,095,435
1952	1,138	3,466,600	133	234,330	1,271	3,700,930
1953	1,173	4,614,735	121	274,739	1,294	4,889,474
1954	1,036	4,689,065	139	294,732	1,175	4,983,797
1955	451	2,026,295	46	97,334	497	2,123,629
Total ...	15,689	27,580,726	2,607	2,114,637	18,296	29,695,363

NOTE: Adjusted for cancellations; Pope-Jones, Emergency Relief, and Reconstruction Finance Corporation funds.

Recreation Loans to Individuals
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1969	62	$1,903,770	---	---	62	$ 1,903,770
1970	41	1,197,390	2	$ 13,790	43	1,211,180
1971	28	799,530	15	290,630	43	1,090,160
1972	36	1,625,000	12	182,820	48	1,807,820
1973	28	1,124,360	7	68,700	35	1,193,060
1974	17	823,890	8	162,200	25	986,090
1975	11	644,250	9	103,500	20	747,750
1976	20	993,150	6	174,100	26	1,167,250
TQ	6	502,840	6	102,000	12	604,840
1977 Insured ...	22	1,188,400	10	109,280	32	1,297,680
1978 Insured ...	24	1,370,070	7	134,160	31	1,504,230
1979 Insured ...	19	1,678,250	9	337,690	28	2,015,940
Guaranteed	1	180,000	0	0	1	180,000
Total	20	1,858,250	9	337,690	29	2,195,940
1980 Insured ...	18	1,713,500	6	193,500	24	1,907,000
Guaranteed	2	369,000	0	0	2	369,000
Total ...	20	2,082,500	6	193,500	26	2,276,000
1981 Insured ...	13	1,456,110	9	374,250	22	1,830,360
1982 Insured ...	4	408,650	5	303,100	9	711,750
Total (thru 1982)						
Insured	349	17,429,160	111	2,549,720	460	19,978,880
Guaranteed.	3	549,000	0	0	3	549,000
Total	352	17,978,160	111	2,549,720	463	20,527,880

Loans to Individuals
Economic Opportunity Loan Fund
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1965 (1-15-65 thru 6-30-65)	10,984	$18,681,330	120	$ 52,470	11,104	$18,733,800
1966	15,427	26,348,700	1,646	915,567	17,073	27,264,267
1967	12,595	25,215,730	3,858	2,944,017	16,453	28,159,747
1968	8,737	19,215,740	3,384	2,718,785	12,121	21,934,525
1969	3,204	6,810,100	1,672	1,406,189	4,876	8,216,289
1970	835	1,822,850	862	810,775	1,697	2,633,625
1971	767	1,787,610	569	651,453	1,336	2,439,063
1972	--	--	--	5,913	--	5,913*
1973	--	--	--	2,944	--	2,944*
1974				4,739	--	4,739*
Total thru 1974 ...	52,549	99,882,060	12,111	9,512,852	64,660	109,394,912

NOTE: Not adjusted for cancellations.

*Loan costs only.

Loans to Cooperatives
Economic Opportunity Loan Funds
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1965 (1-15-65 thru 6-30-65	82	$ 929,200	--	--	82	$ 929,200
1966	387	4,674,230	4	$ 34,232	391	4,708,462
1967	362	3,627,690	25	458,692	387	4,086,382
1968	328	4,530,000	29	469,453	357	4,999,453
1969	150	4,006,040	43	715,285	193	4,721,325
1970	7	102,000	26	510,296	33	612,296
1971	13	621,600	20	411,169	33	1,032,769
1972	--	--	--	4,923	--	4,923*
1973	--	--	--	3,951	--	3,951*
1974	--	--	--	8,720	--	8,720*
Total (thru 1974)	1,329	18,490,760	147	2,616,721	1,476	21,107,481

NOTE: Not adjusted for cancellations.

*Loan costs only.

State Corporation Operating Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1936	8	$ 2,052	---	---	8	2,052
1937	1,610	720,775	978	280,027	2,558	1,000,802
1938	1,010	600,124	1,151	343,916	2,161	944,040
1939	1,969	321,307	1,312	263,996	3,281	585,303
1940	110	35,065	377	67,130	487	102,195
1941	75	37,675	179	73,195	254	110,870
1942	7,878	4,867,234	4,142	1,147,592	12,020	6,014,826
1943	5,768	4,288,036	8,350	2,083,807	14,118	6,371,843
1944	2,841	2,721,722	8,434	2,292,159	11,275	5,013,881
1945	1,851	2,280,760	8,827	3,435,629	10,678	5,716,389
1946	7,669	10,403,635	16,693	6,773,621	24,362	17,177,256
1947	7,751	9,080,223	8,711	3,707,646	16,462	12,787,869
1948	476	520,671	8,479	4,356,329	8,955	4,877,000
1949	13,982	12,641,550	10,916	5,465,638	24,898	18,107,188
1950	7,211	6,134,628	7,498	5,143,541	14,709	11,278,169
1951	1,781	2,509,480	1,771	1,067,996	3,552	3,577,476
1952	2,665	8,632,055	4,381	5,363,618	7,046	13,995,673
1953	1,571	4,881,510	4,311	4,882,855	5,882	9,764,365
1954	1,115	3,355,810	3,695	4,002,643	4,810	7,358,453
1955	2,507	7,101,120	3,627	3,990,896	6,134	11,092,016
1956	1,698	4,733,045	4,131	4,819,206	5,829	9,552,251
1957	373	1,057,870	1,664	2,241,757	2,037	3,299,627
1958	48	207,735	976	1,574,411	1,024	1,782,146
1959	121	191,165	709	1,308,300	830	1,499,465

State Corporation Operating Loans - Continued
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1960	118	$ 612,910	354	$ 627,974	472	$ 1,240,884
1961	272	1,104,310	326	189,531	598	1,293,841
1962	62	357,755	2	2,194	64	359,949
1963	36	252,720	56	214,378	92	467,098
1964	--	--	--	--	--	--
1965	41	315,090	202	125,853	243	440,943
1966	168	371,710	406	658,139	574	1,029,849
1967	25	220,650	22	92,853	47	313,503
1968	87	355,580	118	352,224	205	707,804
1969	57	428,740	152	670,628	209	1,099,368
Total (through 1969)	72,954	91,344,712	112,950	67,619,682	185,904	158,964,394

NOTE: Not adjusted for cancellations.

Irrigation, Drainage, Soil Conservation Loans to Associations
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1939	5	$ 93,656	0	0	5	$ 93,656
1940	3	23,075	0	0	3	23,075
1941	14	184,260	0	0	14	184,260
1942	11	154,250	0	0	11	154,250
1943	12	163,498	2	16,875	14	180,373
1944	1	6,879	3	5,876	4	12,755
1945	4	42,000	3	17,000	7	59,000
1946	2	15,000	1	3,759	3	18,759
1947	4	97,700	1	7,490	5	105,190
1948	7	115,450	1	8,500	8	123,950
1949	4	91,500	4	16,500	8	108,000
1950	7	247,110	3	55,110	10	302,220
1951	5	162,000	2	47,000	7	209,000
1952	16	794,420	5	47,300	21	841,720
1953	7	177,950	4	24,800	11	202,750
1954	21	598,250	1	34,000	22	632,250
1955	12	219,250	11	347,550	23	566,800
1956	14	198,865	6	48,000	20	246,865
1957	19	761,430	3	28,550	22	789,980
1958	18	749,499	7	202,700	25	952,199
1959	12	687,500	4	41,750	16	729,250
1960	6	116,500	4	28,000	10	144,500
1961	4	193,500	2	7,300	6	200,800
1962	15	820,700	4	72,394	19	893,094

Irrigation, Drainage, Soil Conservation Loans to Associations - Continued
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1963	15	$ 550,503	1	$ 8,000	16	$ 558,503
1964	10	223,580	4	43,770	14	277,350
1965	15	489,010	5	41,650	20	530,660
1966	20	832,510	5	30,700	25	863,210
1967	21	728,160	5	116,550	26	844,710
1968	30	1,592,030	11	807,340	41	2,399,370
1969	14	581,520	4	64,820	18	646,340
1970	13	352,200	7	88,700	20	440,900
1971	11	1,024,400	6	283,200	17	1,307,600
1972	13	572,800	8	287,500	21	860,300
1973	11	490,100	6	68,900	17	559,000
1974	2	190,000	5	333,000	7	523,000
1975	11	658,070	3	227,000	14	885,070
1976	6	969,500	2	30,500	8	1,000,000
TQ	8	3,782,500	3	47,500	11	3,830,000
1977	9	5,567,600	4	201,600	13	5,769,200
1978	4	103,900	3	336,800	7	440,700
1979	4	437,000	1	200,000	5	637,000
1980	4	83,800	2	400,000	6	483,800
1981	4	198,000	2	98,500	6	296,500
1982	3	1,243,000	1	70,000	4	1,313,000
Total (thru 1982)	451	27,394,425	159	4,846,484	610	32,240,909

Grazing Loans to Associations
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	1	$ 375,000	0	0	1	$ 375,000
1964	8	3,256,010	1	11,700	9	3,267,710
1965	26	12,978,280	0	0	26	12,978,280
1966	69	18,819,186	1	45,000	70	18,864,186
1967	70	18,109,350	5	877,430	75	18,986,780
1968	94	12,813,820	5	294,550	99	13,108,370
1969	83	11,832,420	13	617,350	96	12,449,770
1970	40	6,105,600	14	1,493,400	54	7,599,000
1971	30	6,096,800	20	850,200	50	6,947,000
1972	31	6,951,800	11	313,500	42	7,265,300
1973	14	1,668,200	4	782,000	18	2,450,200
1974	8	2,607,800	4	218,900	12	2,826,700
1975	9	2,389,600	9	1,400,600	18	3,790,200
1976	9	3,482,700	2	505,000	11	3,987,700
TQ	3	835,300	1	171,900	4	1,007,200
1977	6	3,348,300	2	199,500	8	3,547,800
1978	3	3,603,400	1	45,800	4	3,649,200
1979	3	1,904,000	2	170,300	5	2,074,300
1980	2	4,115,000	1	130,000	3	4,245,000
1981	0	0	0	0	0	0
Total (thru 1981)	509	121,292,566	96	8,127,130	605	129,419,696

Indian Tribe Land Acquisitions Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1971	5	$ 5,000,000	—	—	5	$ 5,000,000
1972	2	540,000	2	$ 1,450,000	4	1,990,000
1973	3	2,750,000	1	500,000	4	3,250,000
1974	2	2,500,000	7	7,350,000	9	9,850,000
1975	9	8,416,000	2	1,250,000	11	9,666,000
1976	1	85,000	4	3,063,000	5	3,148,000
TQ	0	0	4	9,000,000	4	9,000,000
1977	4	1,464,400	5	8,450,000	9	9,914,400
1978	0	0	8	10,000,000	8	10,000,000
1979	1	546,000	6	10,454,000	7	11,000,000
1980	1	380,000	2	6,000,000	3	6,380,000
1981	0	0	4	3,566,000	4	3,566,000
1982	2	1,037,400	0	0	2	1,037,400
1983	0	0	5	7,450,000	5	7,450,000
1984	0	0	3	2,620,000	3	2,620,000
1985	1	450,000	1	956,000	2	1,406,000
Total (thru 1985)	31	23,168,800	54	72,109,000	85	95,277,800

Land Conservation and Development Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1966	81	$ 75,330	1	$ 1,300	82	$ 76,630
1967	96	81,940	4	2,350	100	84,290
1968	44	44,760	2	3,690	46	48,450
1969	21	18,610	4	3,080	25	21,690
1970	9	17,520	1	2,200	10	19,720
1971	6	5,080	3	7,850	9	12,930
1972	2	4,190	--	--	2	4,190
Total (thru 1972)	259	247,430	15	20,470	274	267,900

NOTE: Note adjusted for cancellations.

Rural Rehabilitation Loans
(Obligations)
(Farm Security Administration Funds)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1935	(		(		(N/A	$ 676,000
1936	(		(		(N/A	76,286,281
1937	(647,390	N/A	(676,308	N/A	(1,323,698	74,501,314
1938	(		(		(N/A	70,191,639
1939	(		(		(N/A	118,774,347
1940	81,250	N/A	217,472	N/A	298,722	97,286,675
1941	85,737	N/A	263,753	N/A	349,490	117,230,829
1942	82,165	$ 602	288,495	$234	370,660	121,472,289
1943	52,862	698	201,262	287	254,124	95,595,373
1944	22,901	1,010	137,763	316	160,664	66,623,876
1945	24,922	1,086	102,850	386	127,772	66,788,244
1946	33,361	1,323	81,959	462	115,320	82,036,988
1947 (thru Oct. 1946)	10,991	1,518	19,890	586	30,881	28,362,110
Total	1,041,579	486	1,989,752	234	3,031,331	1,015,825,965

NOTE: Includes Rural Rehabilitation loan obligations to all individuals and groups, not including loans from Corporation Trust funds or obligations under "Water Facilities, Arid and Semi-arid areas."

N/A: Not available.

Rural Housing Loans
(502, 503 and 504)

To Individuals
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1950 Direct ...	3,989	$ 18,068,732	4	$ 2,320	3,993	$ 18,071,052
1951 Direct ...	5,135	23,781,128	138	180,217	5,273	23,961,345
1952 Direct ...	4,117	20,756,437	196	307,520	4,313	21,063,957
1953 Direct ...	3,303	18,962,846	174	336,671	3,477	19,299,517
1954 Direct ...	2,688	15,770,847	130	297,087	2,818	16,067,934
1955 Direct ...	--	--	--	--	--	--
1956 Direct ...	523	3,568,109	38	152,795	561	3,720,904
1957 Direct ...	3,163	20,592,902	195	697,982	3,358	21,290,884
1958 Direct ...	4,591	31,710,550	353	1,355,321	4,944	33,065,871
1959 Direct ...	7,693	58,794,155	493	1,880,311	8,186	60,674,466
1960 Direct ...	4,962	39,248,318	386	1,487,677	5,348	40,735,995
1961 Direct ...	8,198	67,364,026	737	2,977,095	8,935	70,341,121
1962 Direct ...	10,706	94,054,759	641	2,321,193	11,347	96,375,952
1963 Direct ...	19,164	184,265,722	694	2,106,004	19,858	186,371,726
1964 Direct ...	13,802	128,876,270	576	1,610,384	14,378	130,486,654
1965 Direct ...	15,177	129,343,600	591	1,632,387	15,768	130,975,987
1966 Direct ...	10,279	57,654,080	455	839,421	10,734	58,493,501
Insured ..	20,629	197,904,480	666	2,222,130	21,295	200,126,610
Total ..	30,908	255,558,560	1,121	3,061,551	32,029	258,620,111
1967 Direct ...	4,231	10,098,725	391	351,264	4,622	10,449,989
Insured ..	42,648	415,506,110	1,167	4,176,670	43,815	419,682,780
Total ..	46,879	425,604,835	1,558	4,527,934	48,437	430,132,769
1968 Direct ...	5,562	9,204,820	894	660,408	6,456	9,865,228
Insured ..	46,408	458,980,614	1,463	4,819,156	47,871	463,799,770
Total ..	51,970	468,185,434	2,357	5,479,564	54,327	473,664,998

Rural Housing Loans - Continued
(502, 503 and 504)

To Individuals
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1969	Direct	5,560	$ 7,659,640	1,348	$ 958,034	6,908	$ 8,617,674
	Insured ...	46,000	472,703,990	1,530	4,899,280	47,530	477,603,270
	Total ...	51,560	480,363,630	2,878	5,857,314	54,438	486,220,944
1970	Direct	4,980	9,590,250	1,268	992,731	6,248	10,582,981
	Insured ...	64,443	741,329,150	2,660	9,684,400	67,103	751,013,550
	Total ...	69,423	750,919,400	3,928	10,677,131	73,351	761,596,531
1971	Direct	4,998	10,264,280	1,399	1,018,312	6,397	11,282,592
	Insured ...	103,190	1,343,566,010	3,877	12,919,350	107,067	1,356,485,360
	Total ...	108,188	1,353,830,290	5,276	13,937,662	113,464	1,367,767,952
1972	Direct	3,219	4,840,540	584	558,735	3,803	5,399,275
	Insured ...	106,878	1,544,730,710	5,304	16,490,090	112,182	1,561,220,800
	Total ...	110,097	1,549,571,250	5,888	17,048,825	115,985	1,566,620,075
1973	Direct	2,596	4,132,730	482	435,052	3,078	4,567,782
	Insured ...	109,183	1,708,247,710	7,522	27,440,780	116,705	1,735,688,490
	Total ...	111,779	1,712,380,440	8,004	27,875,832	119,783	1,740,256,272
1974	Direct	2,185	3,990,370	450	439,359	2,635	4,429,729
	Insured ...	86,543	1,565,638,490	7,828	24,244,710	94,371	1,589,883,200
	Total ...	88,728	1,569,628,860	8,278	24,684,069	97,006	1,594,312,929
1975	Direct	2,099	4,320,560	455	488,010	2,554	4,808,570
	Insured ...	94,589	1,898,961,380	7,927	27,681,920	102,516	1,926,643,300
	Total ...	96,688	1,903,281,940	8,382	28,169,930	105,070	1,931,451,870
1976	Direct	2,269	5,367,300	480	570,130	2,749	5,937,430
	Insured ...	105,245	2,251,313,164	9,064	35,322,070	114,309	2,286,635,234
	Total ...	107,514	2,256,680,464	9,544	35,892,200	117,058	2,292,572,664
TQ	Direct	846	2,091,250	204	259,980	1,050	2,351,230
	Insured ...	27,526	599,246,088	3,218	14,043,540	30,744	613,289,628
	Total ...	28,372	601,337,338	3,422	14,303,520	31,794	615,640,858
1977	Direct	3,028	7,258,430	477	627,260	3,505	7,885,690
	Insured ...	107,441	2,519,046,070	11,056	47,969,200	118,556*	2,567,063,240*
	Guaranteed	74	1,710,100	1	16,000	75	1,726,100
	Total ..	110,543	2,528,014,600	11,534	48,612,460	122,136*	2,576,675,030*

Rural Housing Loans - Continued
(502, 503 and 504)

To Individuals
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1978	Direct	4,393	$ 11,382,620	430	$ 558,890	4,823	$ 11,941,510
	Insured ...	100,476	2,634,833,640	11,570	56,019,460	112,559*	2,691,300,930*
	Guaranteed	--	--	--	--	--	--
	Total ...	104,869	2,646,216,260	12,000	56,578,350	117,382*	2,703,242,440*
1979	Direct	5,213	14,145,660	438	564,590	5,651	14,710,250
	Insured ...	93,400	2,752,908,660	16,982	113,383,780	111,178*	2,866,996,770*
	Guaranteed	374	11,759,170	3	92,600	377	11,851,770*
	Total ...	98,987	2,778,813,490	17,423	114,040,970	117,206*	2,893,558,790*
1980	Direct	6,934	20,932,230	636	991,680	7,570	21,923,910
	Insured ...	81,657	2,647,553,650	21,066	176,937,280	104,224*	2,825,740,950*
	Guaranteed	590	18,722,700	7	143,130	597	18,865,830
	Total ...	89,181	2,687,208,580	21,709	178,072,090	112,391*	2,866,530,690*
1981	Direct	5,296	17,053,160	503	817,670	5,799	17,870,830
	Insured ...	69,534	2,423,779,320	17,707	159,826,490	88,922*	2,585,282,054*
	Guaranteed	172	5,719,310	2	4,140	174	5,723,450*
	Total ...	75,002	2,446,551,790	18,212	160,648,300	94,895*	2,608,876,334*
1982	Direct	2,771	9,388,730	394	654,820	3,165	10,043,550
	Insured ...	61,957	2,313,906,804	16,925	162,509,901	80,449*	2,478,218,964*
	Total ...	64,728	2,323,295,534	17,319	163,164,721	83,614	2,488,262,514
1983	Direct	1,993	6,628,940	295	446,970	2,288	7,075,910
	Insured ...	51,920	2,006,595,750	13,547	130,530,180	66,439*	2,138,276,949*
	Total ...	53,913	2,013,224,690	13,842	130,977,150	68,727*	2,145,352,859*
1984	Direct	2,057	6,694,270	303	478,350	2,360	7,172,620
	Insured ...	43,479	1,722,794,420	12,647	121,342,770	56,126	1,844,137,190
	Total ...	45,536	1,729,488,690	12,950	121,821,120	58,486	1,851,309,810
1985	Direct	2,315	7,344,195	337	552,425	2,652	7,896,620
	Insured ...	40,801	1,688,055,974	11,161	101,497,101	51,962	1,789,553,075
	Total ...	43,116	1,695,400,169	11,498	102,049,526	54,614	1,797,449,695
Total (thru 1985)							
	Direct	190,035	1,085,201,181	17,569	30,609,055	207,604	1,115,810,236
	Insured ...	1,503,947	33,907,602,184	184,887	1,253,960,258	1,695,923*	35,168,642,114*
	Guaranteed	1,210	37,911,280	13	255,870	1,223	38,167,150
	Total ...	1,695,192	35,030,714,645	202,469	1,284,825,183	1,904,750*	36,322,619,500*

Total loans insured includes Weatherization loan program, 1977 thru 1983.

Weatherization Loans
(Included in Rural Housing Loans)

Fiscal Year	Total Loans	
	Number	Amount
1977	59	$ 47,970
1978	513	447,830
1979	796	704,330
1980	1,501	1,250,020
1981	1,681	1,676,244
1982	1,567	1,802,259
1983	972	1,151,019
Total (thru 1983)	7,089	7,079,672

Rural Housing 504 (Building) Grants
To Individuals
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1950	203	$ 89,566	--	--	203	$ 89,566
1951	277	131,073	1	$ 155	278	131,228
1952	191	90,485	1	150	192	90,635
1953	123	57,775	--	--	123	57,775
1954 thru 1961	--	--	--	--	--	--
1962	145	69,390	--	--	145	69,390
1963	1,378	1,029,655	--	--	1,378	1,029,655
1964	5,841	4,805,435	--	--	5,841	4,805,435
1965	2,393	1,922,020	--	--	2,393	1,922,020
1977	1,882	4,835,510	107	164,310	1,989	4,999,820
1978	3,537	8,920,610	72	79,470	3,609	9,000,080
1979	6,407	18,494,240	435	505,740	6,842	18,999,980
1980	8,013	23,301,350	576	698,640	8,589	23,999,990
1981	7,014	21,841,590	673	901,730	7,687	22,743,320
1982	3,937	13,265,530	268	339,653	4,205	13,605,183
1983	3,670	12,301,870	175	198,060	3,845	12,499,930
1984	3,416	12,231,530	226	268,370	3,642	12,499,900
1985	3,463	12,177,047	252	320,601	3,715	12,497,648
Total (thru 1985)	51,890	135,564,676	2,786	3,476,879	54,676	139,041,555

Compensation for Construction Defects (Grants)

	Total Grants	
Fiscal Year	Number	Amount
1983	107	$ 295,966
1984	117	395,478
1985	153	526,562
Total thru 1985	377	1,218,006

Rural Rental Housing Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1963 Insured	2	$ 117,000	—	—	2	$ 117,000
1964 Direct	3	469,000	--	—	3	469,000
Insured ...	18	679,600	1	$18,000	19	697,600
Total ...	21	1,148,600	1	$18,000	22	1,166,600
1965 Direct	11	1,120,390	--	—	11	1,120,390
Insured ...	21	667,140	3	230,000	24	897,140
Total ...	32	1,787,530	3	230,000	35	2,017,530
1966 Direct	31	2,755,110	2	95,800	33	2,850,910
Insured ...	45	1,410,660	3	45,600	48	1,456,260
Total ...	76	4,165,700	5	141,400	81	4,307,170
1967 Direct	41	3,647,440	3	74,500	44	3,823,940
Insured ...	58	1,546,910	8	100,880	66	1,665,790
Total ...	99	5,314,350	11	175,380	110	5,489,730
1968 Direct	50	4,736,780	8	394,340	58	5,131,120
Insured ...	226	7,690,230	13	354,550	239	8,044,780
Total ...	276	12,427,010	21	748,890	297	13,175,900
1969 Direct	3	322,000	14	481,190	17	803,190
Insured ...	326	15,029,280	47	1,502,030	373	16,531,310
Total ...	329	15,351,280	61	1,973,220	390	17,334,500
1970 Direct	--	--	20	1,307,950	20	1,307,950
Insured ...	412	24,148,230	78	2,984,560	490	27,132,790
Total ..	412	24,148,230	98	4,292,510	510	28,440,740
1971 Direct ...	--	—	12	1,151,500	12	1,151,500
Insured ..	325	21,012,400	85	4,624,790	410	25,637,190
Total ..	325	21,012,400	97	5,776,290	422	26,788,690

Rural Rental Housing Loans - Continued
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1972 Insured	372	$ 31,502,910	143	$ 8,614,970	515	$ 40,117,880
1973 Insured	546	87,886,880	184	17,175,750	730	105,062,630
1974 Insured	562	140,663,110	317	32,650,920	879	173,314,030
1975 Insured	903	267,036,590	250	25,319,750	1,153	292,356,340
1976 Insured	685	213,992,470	153	17,209,680	838	231,202,150
TQ Insured	626	259,324,770	75	9,456,080	701	268,780,850
1977 Insured	1,114	518,017,210	222	26,936,970	1,336	544,954,180
1978 Insured	1,056	627,442,260	410	48,502,290	1,466	675,944,550
1979 Insured	1,247	827,894,470	398	41,614,090	1,645	869,508,560
1980 Insured	1,204	841,524,090	335	39,812,050	1,539	881,336,140
1981 Insured	1,213	825,921,420	253	38,843,810	1,466	864,765,230
1982 Insured	1,220	928,339,980	208	25,327,740	1,428	953,667,720
1983 Insured	1,043	783,730,240	152	18,267,160	1,195	801,997,400
1984 Insured	1,109	897,327,330	155	21,674,680	1,264	919,002,010
1985 Insured	1,086	880,801,618	156	22,534,750	1,242	903,336,368
Total (thru 1985)						
Direct	139	13,152,720	59	3,505,280	198	16,658,000
Insured	15,419	8,203,724,798	3,649	403,801,100	19,068	8,607,525,898
Total	15,558	8,216,877,518	3,708	407,306,380	19,266	8,624,183,898

Rural Rental Assistance Program
(Obligations)

Fiscal Year	Total Rural Rental Housing Units Number of Units	 Amount
1978	17,996	$ 312,359,388
1979	22,058	418,013,500
1980	19,617	389,845,950
1981	16,859	396,773,596
1982	13,570	356,256,312
1983	11,415	120,257,025
1984	10,482	108,228,606
1985	14,892	164,305,500
Total (thru 1985)	126,889	2,266,039,877

Fiscal Year	Total Labor Housing Units Number of Units	 Amount
1978	2,004	36,483,907
1979	565	4,941,750
1980	383	3,144,050
1981	796	6,208,800
1982	710	41,741,568
1983	331	3,487,085
1984	268	2,765,644
1985	358	3,938,000
Total (thru 1985)	5,415	102,710,804
Grand Total (thru 1985)	132,304	2,368,750,681

Insured Farm Labor Housing Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1962	2	$ 52,500	--	--	2	$ 52.500
1963	8	221,450	--	--	8	221,450
1964	7	499,300	1	$ 385,000	8	884,300
1965	10	34,740	1	12,740	11	47,480
1966	22	3,465,840	--	--	22	3,465,840
1967	26	3,818,360	--	--	26	3,818,360
1968	29	4,420,710	2	73,910	31	4,494,620
1969	26	2,077,660	2	1,453,250	28	3,530,910
1970	18	1,090,560	6	458,700	24	1,549,260
1971	12	396,300	1	78,000	13	474,300
1972	50	2,693,080	--	--	50	2,693,080
1973	50	3,753,250	10	6,461,010	60	10,214,260
1974	61	5,144,730	15	4,855,270	76	10,000,000
1975	97	6,926,700	4	1,139,110	101	8,065,810
1976	25	583,940	--	--	25	583,940
TQ	38	7,989,680	4	1,542,300	42	9,531,980
1977	80	3,613,200	13	1,722,560	93	5,335,760
1978	64	5,359,470	11	4,638,920	75	9,998,390
1979	220	21,990,700	34	14,338,110	254	36,328,810
1980	173	16,192,770	23	8,384,200	196	24,576,970
1981	217	16,497,030	33	2,051,010	250	18,548,040
1982	122	10,863,350	13	1,047,250	135	11,910,600
1983	62	3,714,790	6	279,500	68	3,994,290
1984	64	4,602,690	12	882,180	76	5,484,870
1985	98	16,163,360	19	1,424,840	117	17,588,200
Total (thru 1985)	1,581	142,166,160	210	51,227,860	1,791	193,394,020

Labor Housing Grants
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1966	4	$ 2,156,320	--	--	4	$ 2,156,320
1967	5	2,678,440	--	--	5	2,678,440
1968	3	2,416,940	2	$ 283,350	5	2,700,290
1969	5	2,064,660	5	2,938,840	10	5,003,500
1970	2	1,603,900	4	529,870	6	2,133,770
1971	2	618,550	2	118,000	4	736,550
1972	7	6,503,980	3	179,200	10	6,683,180
1973	3	1,273,800	5	472,130	8	1,745,930
1974	4	3,954,570	7	6,126,160	11	10,080,730
1975	3	3,556,950	3	1,443,050	6	5,000,000
1976	--	--	--	--	--	--
TQ	6	6,085,610	5	4,643,960	11	10,729,570
1977	7	5,712,950	6	1,537,050	13	7,250,000
1978	7	4,238,200	4	3,511,800	11	7,750,000
1979	23	22,141,040	13	10,286,820	36	32,427,860
1980	19	12,287,450	6	9,991,650	25	22,279,100
1981	11	6,252,590	12	4,265,730	23	10,518,320
1982	11	12,397,500	4	2,550,900	15	14,948,400
1983	10	7,442,580	2	100,950	12	7,543,530
1984	5	7,241,580	2	2,565,500	7	9,807,080
1985	8	5,536,870	10	5,618,840	18	11,155,710
Total (thru 1985)	145	116,164,480	95	57,163,800	240	173,328,280

Labor Housing Grants Contracts
(Obligations)

Fiscal Year	Number of Contracts	Amount
1985	5	$ 982,585

Rural Housing Site (Insured) Loans
Self-Help Land Development Fund (Direct) Loans
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1970	Direct	3	$ 114,370	--	--	3	$ 114,370
	Insured	--	--	--	--	--	--
	Total	3	114,370	--	--	3	114,370
1971	Direct	4	150,200	--	--	4	150,200
	Insured	18	1,458,470	--	--	18	1,458,470
	Total	22	1,608,670	--	--	22	1,608,670
1972	Direct ...	1	49,600	1	$ 29,000	2	78,600
	Insured	17	965,990	--	--	17	965,990
	Total	18	1,015,590	1	29,000	19	1,044,590
1973	Direct	1	9,100	--	--	1	9,100
	Insured	20	2,283,120	2	9,520	22	2,292,640
	Total	21	2,292,220	2	9,520	23	2,301,740
1974	Direct	1	246,400	0	0	1	246,400
	Insured	6	1,350,800	3	239,350	9	1,590,150
	Total	7	1,597,200	3	239,350	10	1,836,550
1975	Direct	0	0	2	234,350	2	234,350
	Insured	8	1,942,900	6	169,500	14	2,112,400
	Total	8	1,942,900	8	403,850	16	2,346,750
1976	Direct	--	--	--	--	--	--
	Insured	4	364,850	1	260,000	5	624,850
	Total	4	364,850	1	260,000	5	624,850
TQ	Direct	3	565,130	0	0	3	565,130
	Insured	0	0	0	0	0	0
	Total	3	565,130	0	0	3	565,130
1977	Direct	3	633,550	1	33,000	4	666,550
	Insured	6	1,327,710	2	104,000	8	1,431,710
	Total	9	1,961,260	3	137,000	12	2,098,260
1978	Direct	3	1,094,400	1	74,850	4	1,169,250
	Insured	4	1,754,480	0	0	4	1,754,480
	Total ...	7	2,848,880	1	74,850	8	2,923,730

Rural Housing Site (Insured) Loans
Self-Help Land Development Fund (Direct) Loans
(Obligations)

		Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year		Number	Amount	Number	Amount	Number	Amount
1979	Direct	10	$ 1,724,460	--	--	10	$1,724,460
	Insured	10	1,622,430	6	$ 1,335,870	16	2,948,300
	Total	20	3,346,890	6	1,335,870	26	4,682,760
1980	Direct	2	328,500	1	101,100	3	429,600
	Insured	6	680,690	2	141,100	8	821,790
	Total	8	1,009,190	3	242,200	11	1,251,390
1981	Direct	2	485,000	0	0	2	485,000
	Insured	2	308,300	3	146,000	5	454,300
	Total	4	793,300	3	146,000	7	939,300
1982	Direct	1	250,000	2	134,000	3	384,000
1983	Insured.....	1	310,000	0	0	1	310,000
1984	Insured.....	1	124,000	1	88,640	2	212,640
1985	Direct	2	1,275,000	0	0	2	1,275,000
Total (thru 1985)							
	Direct	36	6,925,710	8	606,300	44	7,532,010
	Insured	103	14,493,740	26	2,493,980	129	16,987,720
Total		139	21,419,450	34	3,100,280	173	24,519,730

Mutual and Self-Help Housing (Grants)
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1971	15	$ 1,720,960	--	--	15	$1,720,960
1972	9	1,617,910	--	--	9	1,617,910
1973	20	3,081,131	4	$ 647,320	24	3,728,451
1974	16	2,023,140	13	1,808,470	29	3,831,610
1975	11	1,160,150	15	4,499,540	26	5,659,690
1976	1	100,000	3	504,200	4	604,200
TQ	7	1,324,700	7	4,160,910	14	5,485,610
1977	19	2,318,900	16	2,172,400	35	4,491,300
1978	18	1,784,040	12	1,861,880	30	3,645,920
1979	13	1,806,610	23	3,822,810	36	5,629,420
1980	25	4,252,490	23	1,946,250	48	6,198,740
1981	37	5,650,960	34	6,725,530	71	12,376,490
1982	14	2,112,060	12	2,552,330	26	4,664,390
1983	19	2,790,630	23	7,436,280	42	10,226,910
1984	11	2,470,610	18	2,536,820	27	5,007,430
1985	11	1,835,940	31	7,600,031	42	9,435,971
Total thru 1985	246	36,050,231	234	48,274,771	480	84,325,002

Mutual and Self-Help Housing Grants - Contracts
(Obligations)

Fiscal Year	Number of Contracts	Amount
1981	7	$ 820,530
1982	4	487,374
1983	5	756,576
1984	3	84,500
1985	8	1,317,539
Total (thru 1985)	27	3,466,519

Rural Housing Supervisory Assistance Grants
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1979	25	$ 2,500,000	0	$ 0	25	$2,500,000
1980	19	1,500,000	0	0	19	1,500,000
1981	12	927,270	1	72,730	13	1,000,000
Total (thru 1981)	56	4,927,270	1	72,730	57	5,000,000

Domestic Water and Waste Disposal Association Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1940 Water	1	$ 1,600	0	$ 0	1	$ 1,600
1941 Water	4	54,526	0	0	4	54,526
1942 Water	6	77,902	0	0	6	77,902
1943 Water	1	14,873	0	0	1	14,873
1944 Water	0	0	0	0	0	0
1945 Water	4	83,150	0	0	4	83,150
1946 Water	7	134,322	2	15,000	9	149,322
1947 Water	7	117,880	1	2,000	8	119,880
1948 Water	8	154,835	4	4,800	12	159,635
1949 Water	3	35,985	7	57,350	10	93,335
1950 Water	9	230,245	3	28,100	12	258,345
1951 Water	18	536,030	3	14,230	21	550,260
1952 Water	17	372,405	4	25,400	21	397,805
1953 Water	26	817,865	3	21,950	29	839,815
1954 Water	16	835,300	5	40,550	21	875,850
1955 Water	20	1,108,560	10	78,300	30	1,186,860
1956 Water	10	904,880	4	67,150	14	972,030
1957 Water	9	695,250	3	11,800	12	707,050
1958 Water	14	944,500	7	53,100	21	997,600
1959 Water	29	2,727,900	8	189,160	37	2,916,060
1960 Water	11	646,400	4	63,500	15	709,900
1961 Water	27	1,836,100	6	109,500	33	1,945,600

Domestic Water and Waste Disposal Association Loans - Continued
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1962 Water	69	$ 9,940,500	12	$ 230,500	81	$10,171,000
1963 Water	114	13,876,565	21	864,130	135	14,740,695
1964 Water	239	32,876,590	32	1,130,220	271	34,006,810
1965 Water	324	47,982,510	70	2,406,970	394	50,389,480
1966 Water	660	97,862,403	96	4,913,020	756	102,775,423
Waste	70	10,027,365	0	0	70	10,027,365
Total .... a/	705	107,889,768	a/ 96	4,913,020	a/ 801	112,802,788
1967 Water	779	130,352,185	165	9,316,245	944	139,668,430
Waste	218	34,853,829	12	650,920	230	35,504,749
Total .... a/	915	165,206,014	a/174	9,967,165	a/1,089	175,173,179
1968 Water	643	115,829,015	205	10,004,210	848	125,833,225
Waste	205	33,973,625	46	2,785,500	251	36,759,125
Total .... a/	775	149,802,640	a/241	12,789,710	a/1,016	162,592,350
1969 Water	561	b/	200	b/	761	110,530,810
Waste	273	b/	54	b/	327	54,116,350
Total .... a/	739	147,036,310	a/242	17,610,850	a/ 981	164,647,160
1970 Water	522	b/	237	b/	759	111,302,620
Waste	183	b/	67	b/	250	34,727,870
Total .... a/	647	123,183,450	a/294	22,847,040	a/ 941	146,030,490
1971 Water	632	b/	386	b/	1,018	171,627,000
Waste	380	b/	93	b/	473	90,076,900
Total	899	213,092,800	a/468	48,611,100	a/1,367	261,703,900
1972 Water	457	b/	479	b/	936	196,807,400
Waste	262	b/	142	b/	404	103,191,600
Total	631	220,777,500	a/595	79,221,500	a/1,226	299,999,000
1973 Water	428	b/	536	b/	964	206,754,800
Waste	427	b/	233	b/	660	193,240,000
Total .... a/	768	300,182,500	a/734	99,812,300	a/1,502	399,994,800
1974 Water	444	b/	666	b/	1,110	326,595,900
Waste	153	b/	139	b/	292	143,403,200
Total .... a/	546	288,354,157	a/779	181,644,943	a/1,325	469,999,100

Domestic Water and Waste Disposal Association Loans - Continued
(Obligations)

Fiscal Year		Initial Loans		Subsequent Loans		Total Loans	
		Number	Amount	Number	Amount	Number	Amount
1975	Water	451	b/	642	b/	1,093	$301,245,800
	Waste	261	b/	181	b/	442	168,741,146
	Total	a/ 658	$320,188,646	793	$149,798,300	a/1,451	469,986,946
1976	Water	398	b/	516	b/	914	285,376,587
	Waste	243	b/	150	b/	393	157,265,247
	Total	a/ 597	308,206,748	a/648	134,435,086	a/1,245	442,641,834
TQ	Water	145	b/	179	b/	324	98,902,500
	Waste	83	b/	46	b/	129	45,954,584
	Total	a/ 215	88,677,084	a/213	56,180,000	a/ 428	144,857,084
1977	Water	855	b/	826	b/	1,681	550,735,250
	Waste	287	b /	155	b/	442	198,115,180
	Total	a/ 1,097	508,238,060	a/951	240,612,370	a/2,048	748,850,430
1978	Water	476	b/	800	b/	1,276	472,682,100
	Waste	318	b/	176	b/	494	277,313,700
	Total	a/ 756	509,133,100	a/946	240,862,700	a/1,702	749,995,800
1979	Water	529	b/	816	b/	1,345	569,949,755
	Waste	329	b/	196	b/	525	330,050,165
	Total	a/ 823	537,351,830	a/979	362,648,090	a/1,802	899,999,920
1980	Water	585	b/	792	b/	1,377	480,051,610
	Waste	320	b/	195	b/	515	219,948,090
	Total	869	418,664,010	a/956	281,335,690	a/1,825	699,999,700
1981	Water	568	b/	666	b/	1,234	527,131,555
	Waste	364	b/	237	b/	601	222,868,425
	Total	892	466,061,480	a/876	283,938,500	a/1,768	749,999,980
1982	Water	266	b/	387	b/	653	259,075,620
	Waste	165	b/	129	b/	294	115,924,380
	Total	a/ 423	202,338,450	a/505	172,661,550	a/ 928	375,000,000
1983	Water	334	b/	503	b/	837	395,773,195
	Waste	242	b/	139	b/	381	204,226,805
	Total	a/ 558	370,751,900	a/626	229,248,100	a/1,184	600,000,000
1984	Water	122	b/	294	b/	416	162,055,800
	Water	127	b/	84	b/	211	107,944,200
	Total	a/ 259	132,273,600	a/386	137,726,400b/	645	270,000,000

Domestic Water and Waste Disposal Association Loans - Continued
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1985 Water	173	b/	325	b/	498	188,801,300
Waste	156	b/	108	b/	264	151,198,700
Total	a/ 343	191,386,700	a/440	148,613,300	a/ 783	340,000,000
Total (thru 1985)						
Water	11,021	b/	9,925	b/	20,946	5,906,097,063
Waste	5,066	b/	2,582	b/	7,648	2,900,597,781
Total	a/ 15,108	5,885,803,420	a/12,151	2,920,891,424	a/27,259	8,806,694,844

NOTE: Not adjusted for cancellations

a/ Number of water and number of waste loans will not equal total since number of combination water and waste loans have been included respectively in the number of water and the number of waste, and, therefore, have been unduplicated in the total number.

b/ Initial and subsequent amounts for water and waste are not available separately.

Domestic Water and Waste Disposal
Association Developments Grants
(Obligations)

	Initial Grants		Subsequent Grants		Total Grants	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1966 Water	179	$ 12,603,690	0	$ 0	179	$ 12,603,690
Waste	70	6,064,350	0	0	70	6,064,350
Total	a/ 221	18,668,040	0	0	a/ 221	18,668,040
1967 Water	219	12,340,633	10	392,985	229	12,733,618
Waste	119	9,569,746	8	105,185	127	9,774,931
Total	a/ 308	22,010,379	a/ 17	498,170	a/ 325	22,508,549
1968 Water	211	13,261,165	17	139,795	228	13,400,960
Waste	111	8,734,725	23	861,615	134	9,596,340
Total	a/ 292	21,995,890	a/ 36	1,001,410	a/ 328	22,997,300
1969 Water	210	b/	13	b/	223	11,534,798
Waste	148	b/	14	b/	162	12,429,860
Total	a/ 327	23,391,448	a/ 26	573,210	a/ 353	23,964,658
1970 Water	364	b/	56	b/	420	23,129,260
Waste	190	b/	43	b/	233	19,852,100
Total	a/ 515	39,361,950	a/ 91	3,619,410	a/ 606	42,981,360
1971 Water	329	b/	122	b/	451	21,749,500
Waste	187	b/	54	b/	241	19,605,700
Total	a/ 472	35,537,300	a/171	5,817,900	a/ 643	41,355,200
1972 Water	271	b/	99	b/	370	21,028,400
Waste	160	b/	66	b/	226	18,834,500
Total	a/ 393	32,825,800	a/158	7,037,100	a/ 551	39,862,900
1973 Water	182	b/	72	b/	254	18,980,900
Waste	115	b/	26	b/	141	10,349,000
Total	a/ 272	25,590,500	a/ 87	3,739,400	a/ 359	29,329,900
1974 Water	150	b/	71	b/	221	19,736,200
Waste	22	b/	1	b/	23	4,027,100
Total	a/ 170	19,398,100	a/ 71	4,365,200	a/ 241	23,763,300
1975 Water	393	b/	285	b/	678	103,250,300
Waste	178	b/	69	b/	247	53,608,600
Total	a/ 553	111,623,800	a/343	45,235,100	a/ 896	156,858,900

Domestic Water and Waste Disposal - Continued
Association Developments Grants
(Obligations)

Fiscal Year	Initial Grants		Subsequent Grants		Total Grants	
	Number	Amount	Number	Amount	Number	Amount
1976 Water	293	b/	234	b/	527	$ 102,583,960
Waste	124	b/	52	b/	176	44,304,100
Total	a/ 394	$ 100,521,700	a/280	$ 46,366,360	a/ 674	146,888,060
TQ Water	122	b/	101	b/	223	49,364,200
Waste	66	b/	35	b/	101	27,529,900
Total	a/ 181	52,448,800	a/131	24,445,300	a/ 312	76,894,100
1977 Water	611	b/	586	b/	1,197	264,564,550
Waste	143	b/	126	b/	269	81,821,050
Total	a/ 732	223,610,000	a/698	122,775,600	a/1,430	346,385,600
1978 Water	823	b/	380	b/	1,203	229,043,000
Waste	224	b/	71	b/	295	74,866,660
Total	a/ 1,021	240,542,200	a/443	63,367,460	a/1,464	303,909,660
1979 Water	525	b/	295	b/	820	214,406,500
Waste	207	b/	66	b/	273	77,193,500
Total	a/ 707	229,261,580	a/359	62,338,420	a/1,066	291,600,000
1980 Water	531	b/	265	b/	796	225,681,000
Waste	200	b/	46	b/	246	73,053,300
Total	a/ 705	237,852,650	a/306	60,881,650	a/1,011	298,734,300
1981 Water	394	b/	666	b/	574	155,753,687
Waste	195	b/	237	b/	236	54,636,885
Total	a/ 569	170,759,380	a/219	39,631,000	a/ 788	210,390,380
1982 Water	239	b/	77	b/	316	92,591,495
Waste	111	b/	23	b/	134	41,221,202
Total	a/ 345	109,568,937	a/ 99	24,243,952	a/ 444	133,812,889
1983 Water	370	b/	83	b/	453	224,957,485
Waste	172	b/	19	b/	191	88,203,085
Total	a/ 529	280,040,770	a/101	33,119,800	a/ 630	313,160,570
1984 Water	139	b/	46	b/	185	67,344,920
Water	74	b/	13	b/	87	36,396,900
Total	a/ 217	90,966,920	a/ 59	12,774,900	a/ 276	103,741,820

Domestic Water and Waste Disposal - Continued
Association Developments Grants
(Obligations)

Fiscal Year	Initial Grants		Subsequent Grants		Total Grants	
	Number	Amount	Number	Amount	Number	Amount
1985 Water	171	b/	50	b/	221	84,497,325
Waste	94	b/	40	b/	134	44,491,010
Total	a/ 275	106,979,875	a/ 91	22,008,460	a/ 366	128,988,335
Total (thru 1985)						
Water	6,726	b/	3,042	b/	9,768	1,968,935,748
Waste	2,910	b/	836	b/	3,746	807,860,073
Total	a/ 9,198	2,192,956,019	a/3,786	583,839,802	a/ 12,984	2,776,795,821

a/ Number of water and number of waste grants will not equal total since number of combination water and waste grants have been included respectively in the number of water and number of waste, and, therefore, have been unduplicated in the total number.

b/ Initial and subsequent amounts for water and waste are not available separately.

Department of the Army/Navy Grants
(Obligations)

	Initial Grants		Subsequent Grants		Total Grants	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1971	1	$ 226,400	--	--	1	$ 226,400
1972	7	785,800	2	$1,054,800	9	1,840,600
1973	2	41,000	--	--	2	41,000
1974	1	1,500,000	--	--	1	1,500,000
1975	0	0	1	652,000	1	652,000
1976	1	290,000	1	210,877	2	500,877
TQ	0	0	0	0	0	0
1977	1	70,000	--	--	1	70,000
1978	1	35,260	6	370,600	7	405,860
Total (thru 1978)	14	2,948,460	10	2,288,277	24	5,236,737

Office of Surface Mining Project Grants

	Initial Grants	Subsequent Grants	Total Grants
Fiscal Year	Number of Grants	Amount	
1983	1	668,000	
1985	1	60,000	
Total (thru 1985)	2	728,000	

Appalachia Regional Commission Grants
(Obligations)

	Initial Grants		Subsequent Grants		Total Grants	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1968	2	$ 721,020	--	--	2	$ 721,020
1969	9	974,550	2	$ 43,347	11	1,017,897
1970	8	1,226,287	--	--	8	1,226,287
1971	1	344,350	3	591,880	4	936,230
1972	12	925,860	2	57,600	14	983,460
1973	23	3,016,990	5	283,600	28	3,300,590
1974	7	1,900,625	7	493,995	14	2,394,620
1975	49	13,055,598	11	1,885,987	60	14,941,585
1976	44	10,185,351	7	1,307,842	51	11,493,193
TQ	31	6,437,013	8	2,564,084	39	9,001,097
1977	29	6,355,130	10	1,400,230	39	7,755,360
1978	45	11,872,880	16	3,321,020	61	15,193,900
1979	77	19,980,860	12	3,291,660	89	23,272,520
1980	72	21,714,860	10	2,285,390	82	24,000,250
1981	110	27,916,710	21	5,159,380	131	33,076,090
1982	40	9,711,852	7	1,165,632	47	10,877,484
1983	42	8,333,350	3	403,500	45	8,736,850
1984	54	13,212,800	5	786,800	59	13,999,600
1985	43	7,939,941	15	2,414,992	58	10,354,933
Total (thru 1985)	698	165,826,027	144	27,456,939	842	193,282,966

Regional Development Grants a/
(Obligations)

	Initial Grants		Subsequent Grants		Total Grants	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1970	9	$ 546,100	2	$ 108,500	11	$ 654,600
1971	1	1,223,750	7	345,680	8	1,569,430
1972	20	1,541,878	4	210,500	24	1,752,378
1973	30	2,049,794	8	534,200	38	2,583,994
1974	65	5,403,973	14	1,043,695	79	6,447,668
1975	44	2,860,195	11	973,800	55	3,833,995
1976	42	3,825,736	26	1,447,143	68	5,272,879
TQ	22	1,751,719	8	621,772	30	2,373,491
1977	54	4,621,190	34	2,502,530	88	7,123,720
1978	70	5,591,870	16	991,400	86	6,583,270
1979	62	4,878,020	4	294,400	66	5,172,420
1980	75	6,810,970	3	186,940	78	6,997,910
1981	56	2,735,970	2	79,580	58	3,815,550
1982	4	271,340	0	0	4	271,340
Total (thru 1982)	554	45,112,505	139	9,340,140	693	54,452,645

a/ Grants funded by selected Regional Development Commissions of the Department of Commerce.

Economic Development Administration Grants
(Obligations)

Fiscal Year	Initial Grants		Subsequent Grants		Total Grants	
	Number	Amount	Number	Amount	Number	Amount
1976	0	0	0	0	0	0
TQ	1	$ 334,900	0	0	1	$ 334,900
1977	0	0	1	$126,500	1	126,500
1978	0	0	0	0	0	0
1979	8	4,747,500	0	0	8	4,747,500
1980	12	4,251,250	0	0	12	4,251,250
1981	10	4,821,500	0	0	10	4,821,500
1982	4	1,981,000	0	0	4	1,981,000
1983	1	600,000	0	0	1	600,000
1984	1	150,000	0	0	1	150,000
1985	0	0	0	0	0	0
Total (thru 1985)	37	16,886,150	1	126,500	38	17,012,650

Emergency Job Grants
(Obligations)

Fiscal Year	Initial Grants Number	Initial Grants Amount	Subsequent Grants Number	Subsequent Grants Amount	Total Grants Number	Total Grants Amount
1976	0	0	0	0	0	0
TQ	13	$2,565,000	1	$ 306,000	14	$ 2,871,000
Total (thru 1978)	13	2,565,000	1	306,000	14	2,871,000

Water and Sewer Planning Grants
(Obligations)

	Initial Grants		Subsequent Grants		Total Grants	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1966	101	$ 1,328,790	—	—	101	$ 1,328,790
1967	389	3,491,195	—	—	389	3,491,195
1968	460	4,949,000	3	$ 51,000	463	5,000,000
1969	321	3,962,657	7	72,440	328	4,035,097
1970	174	2,947,785	5	70,820	179	3,018,605
1971	172	2,612,000	3	30,650	175	2,642,650
1972	146	2,017,850	9	119,000	155	2,136,850
1973	38	515,000	6	125,200	44	640,200
Total (thru 1973)	1,801	21,824,277	33	469,110	1,834	22,293,387

NOTE: Not adjusted for cancellations

Community Facilities Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1974	96	$ 48,726,700	6	$ 1,104,000	102	$ 49,830,700
1975	306	183,434,700	53	16,563,300	359	199,998,000
1976	286	158,203,400	46	11,997,200	332	170,200,600
TQ	116	67,409,600	37	12,385,400	153	79,795,000
1977	302	165,152,100	80	34,828,700	382	199,980,800
1978	347	211,852,000	100	38,145,000	447	249,997,000
1979	474	198,504,700	141	48,493,920	615	246,998,620
1980	536	198,139,420	138	41,860,580	674	240,000,000
1981	671	211,085,800	191	48,914,200	862	260,000,000
1982	178	90,343,950	89	35,847,300	267	126,191,250
1983	127	75,543,000	81	54,457,000	208	130,000,000
1984	109	86,068,700	64	43,929,800	173	129,998,500
1985	146	87,415,700	68	27,584,300	214	115,000,000
Total (thru 1985)	3,694	1,781,879,770	1,094	416,110,700	4,788	2,197,990,470

Industrial Development Grants
(Obligations)

	Initial Grants		Subsequent Grants		Total Grants	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1974	127	$ 9,143,200	9	$ 853,500	136	$ 9,996,700
1975	163	11,266,800	47	2,482,900	210	13,749,700
1976	90	6,317,100	19	1,232,600	109	7,549,700
TQ	81	6,185,277	23	1,102,242	104	7,287,519
1977	100	7,145,550	43	2.851.500	143	9,997,050
1978	143	8,117,700	26	1,882,300	169	10,000,000
1979	144	8,517,300	32	1,482,700	176	10,000,000
1980	149	7,984,160	47	1,984,450	196	9,968,610
1981	97	4,327,710	27	672,290	124	5,000,000
Total (thru 1981)	1,094	69,004,797	273	14,544,482	1,367	83,549,279

Recreation Association Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	17	$ 1,310,390	0	$ 0	17	$ 1,310,390
1964	64	6,586,740	3	29,000	67	6,615,740
1965	79	9,628,830	12	348,970	91	9,977,800
1966	121	14,932,390	19	624,850	140	15,557,240
1967	187	27,402,650	24	568,880	211	27,971,530
1968	189	22,858,180	37	1,041,210	226	23,899,390
1969	138	16,303,980	46	2,041,290	184	18,345,270
1970	35	4,091,200	13	438,100	48	4,529,300
1971	19	1,104,600	15	527,600	34	1,632,200
1972	0	0	0	0	0	0
1973	1	195,000	8	288,500	9	483,500
1974	0	0	1	25,000	1	25,000
1975	0	0	7	163,100	7	163,100
Total (thru 1975)	850	104,413,960	185	6,096,500	1,035	110,510,460

Watershed Works of Improvement Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
Direct						
1959	3	$ 402,500	--	--	3	$ 402,500
1960	5	138,200	--	--	5	138,200
1961	5	2,044,729	--	--	5	2,044,729
1962	19	3,126,304	--	--	19	3,126,304
1963	18	2,102,963	--	--	18	2,102,963
1964	20	4,091,699	1	$ 75,000	21	4,166,699
1965	22	4,853,762	3	445,000	25	5,298,762
1966	35	5,386,205	1	70,000	36	5,456,205
1967	21	5,323,260	4	228,010	25	5,551,270
1968	19	5,396,200	1	50,000	20	5,446,200
1969	19	3,151,488	7	542,940	26	3,694,428
1970	20	3,193,920	1	50,000	21	3,243,920
1971	19	4,276,500	9	2,481,244	28	6,757,744
1972	12	4,051,400	6	948,600	18	5,000,000
1973 Direct...	6	520,000	5	825,500	11	1,345,500
Insured	21	10,095,900	17	8,522,700	38	18,618,600
Total ...	27	10,615,900	22	9,348,200	49	19,964,100
Insured						
1974	27	13,416,800	12	6,385,500	39	19,802,300
1975	13	15,232,600	10	4,767,400	23	20,000,000
1976	1	508,000	1	250,000	2	758,000
TQ	11	4,755,000	4	1,344,000	15	6,099,000
1977	8	4,842,000	3	324,000	11	5,166,000

Watershed Works of Improvement Loans - Continued
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1978	10	2,424,600	8	9,247,000	18	11,671,600
1979	3	$ 4,666,700	2	$ 151,300	5	$ 4,818,000
1980	8	9,550,800	2	342,200	10	9,893,000
1981	6	15,680,100	2	1,232,000	8	16,912,100
1982	1	1,000,000	0	0	1	1,000,000
1983	1	453,700	2	360,000	3	813,700
1984	--	--	--	--	--	--
1985	1	33,000	2	2,200,000	3	2,233,000
Total (thru 1985)						
Direct	243	48,059,130	38	5,716,294	281	53,775,424
Insured.....	111	82,659,200	65	35,126,100	176	117,785,300
Total	354	130,718,330	103	40,842,394	457	171,560,724

Flood Prevention Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
Direct						
1961	3	$ 1,655,000	--	--	3	$ 1,655,000
1962	2	205,500	--	--	2	205,500
1963	--	--	--	--	--	--
1964	3	285,000	--	--	3	285,000
1965	4	345,000	--	--	4	345,000
1966	1	20,000	1	$ 100,000	2	120,000
1967	3	484,000	--	--	3	484,000
1968	4	401,000	1	25,000	5	426,000
1969	1	25,000	--	--	1	25,000
1970	--	--	--	--	--	--
1971	2	58,000	1	170,000	3	228,000
1972	--	--	--	--	--	--
Insured						
1973	--	--	--	--	--	--
1974	--	--	--	--	--	--
1975	2	175,000	0	0	2	175,000
1976	1	19,800	0	0	1	19,800
TQ	-1	-19,800	1	20,000	0	200
1977	--	--	--	--	--	--
1978	1	20,000	--	--	1	20,000
1982	--	--	1	50,000	1	50,000
Total (thru 1982)						
Direct ...	23	3,478,500	3	295,000	26	3,773,500
Insured ..	3	195,000	2	70,000	5	265,000
Total ..	26	3,673,500	5	365,000	31	4,038,500

Resource Conservation and Development Loans
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
Direct						
1966	1	$ 12,840	—	—	1	$ 12,840
1967	9	989,800	—	—	9	989,800
1968	31	2,472,700	2	$ 54,100	33	2,526,800
1969	24	1,886,550	3	25,500	27	1,912,050
1970	14	1,391,000	4	108,944	18	1,499,944
1971	26	1,721,870	4	236,655	30	1,958,525
1972	12	922,800	4	59,600	16	982,400
Insured						
1973	23	3,225,010	4	58,500	27	3,283,510
1974	11	918,200	8	169,600	19	1,087,800
1975	19	1,710,700	6	214,000	25	1,924,700
1976	11	961,500	3	131,700	14	1,093,200
TQ	9	1,235,000	2	229,000	11	1,464,000
1977	8	913,100	4	343,000	12	1,256,100
1978	4	1,131,000	1	6,000	5	1,137,000
1979	9	1,858,940	1	18,800	10	1,877,740
1980	5	1,721,100	3	97,600	8	1,818,700
1981	13	1,947,700	1	17,600	14	1,965,300
1982	4	885,000	—	—	4	885,000
1983	2	370,000	3	785,000	5	1,155,000
1984	1	52,000	1	30,000	2	82,000
1985	1	500,000	—	—	1	500,000
Total (thru 1985)						
Direct ...	117	9,397,560	17	484,799	134	9,882.359
Insured ..	120	17,429,250	37	2,100,800	157	19,530,050
Total ..	237	26,826,810	54	2,585,599	291	29,412,409

Rural Renewal Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
Direct						
1964	8	$ 950,000	--	--	8	$ 950,000
1965	6	794,600	1	$ 125,600	7	920,200
1966	4	882,000	--	--	4	882,000
1967	6	1,052,000	2	115,000	8	1,167,000
1968	12	1,200,100	2	177,000	14	1,377,100
1969	9	846,000	6	408,000	15	1,254,000
Total (thru 1969)	45	5,724,700	11	825,600	56	6,550,300

NOTE: Not adjusted for cancellations. In addition, one rural renewal grant was made for $46,000 in 1969.

Business and Industrial Loans
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1974 Insured ...	5	$ 1,475,000	--	--	5	$ 1,475,000
Guaranteed	386	197,148,545	8	1,357,000	394	198,505,545
Total ...	391	198,623,545	8	1,357,000	394	198,980,545
1975 Insured ...	11	7,842,000	3	2,500,000	14	10,342,000
Guaranteed	481	322,169,273	43	17,482,900	524	339,652,173
Total ...	492	330,011,273	46	19,982,900	538	349,994,173
1976 Insured ...	3	7,230,000	2	744,000	5	7,974,000
Guaranteed	407	243,333,443	72	22,856,398	479	266,189,841
Total ...	410	250,563,443	74	23,600,398	484	274,163,841
TQ Insured ...	7	14,267,000	0	0	7	14,267,000
Guaranteed	144	142,457,800	28	6,610,100	172	149,067,900
Total ...	151	156,724,800	28	6,610,100	179	163,334,900
1977 Insured ...	1	340,000	3	3,795,000	4	4,135,000
Guaranteed	469	316,641,780	111	29,210,230	580	345,852,010
Total ...	470	316,981,780	114	33,005,230	584	349,987,010
1978 Insured ...	1	14,188,000	0	0	1	14,188,000
Guaranteed	1,003	891,077,390	209	94,712,640	1,212	985,790,030
Total ...	1,004	905,265,390	209	94,712,640	1,213	999,978,030
1979 Insured ...	0	0	0	0	0	0
Guaranteed	1,322	1,074,567,190	287	144,740,480	1,609	1,219,307,670
Total ...	1,322	1,074,567,190	287	144,740,480	1,609	1,219,307,670
1980 Insured ...	11	7,830,180	0	0	11	7,830,180
Guaranteed	905	940,602,030	244	125,334,710	1,149	1,065,936,740
Total ...	916	948,432,210	244	125,334,710	1,160	1,073,766,920
1981 Insured ...	1	70,000	0	0	1	70,000
Guaranteed	509	554,128,200	128	98,082,050	637	652,210,250
Total ...	510	554,198,200	128	98,082,050	638	652,280,250
1982 Guaranteed	56	114,102,075	18	10,975,500	74	125,077,575
1983 Guaranteed	54	73,241,810	10	8,670,000	64	81,911,810
1984 Guaranteed	65	110,587,250	10	13,765,000	75	124,352,250
1985 Guaranteed	40	39,947,800	14	21,389,700	54	61,337,500
Total (thru 1985)						
Insured ...	40	53,242,180	8	7,039,000	48	60,281,180
Guaranteed	5,841	5,020,004,586	1,182	595,186,708	7,023	5,615,191,294
Total ...	5,881	5,073,246,766	1,190	602,225,708	7,071	5,675,472,474

Special Impact Grants
(Office of Economic Opportunity)
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1968	2	$2,700,000	--	--	2	$ 2,700,000
Total (thru 1968)	2	$2,700,000	--	--	2	$ 2,700,000

NOTE: Not adjusted for cancellations.

Rural Development Planning Grants (ADA)
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1978	144	$ 4,958,000	1	$ 42,000	145	$ 5,000,000
1979	164	4,846,620	5	153,380	169	5,000,000
1980	68	1,926,860	116	4,073,140	184	6,000,000
1981	42	1,078,120	65	1,921,880	107	3,000,000
Total (thru 1981)	418	12,809,600	187	6,190,400	605	19,000,000

(Department of Energy)
Energy Grants-Growth Management
(Obligations)

Fiscal Year	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1979	54	$ 1,780,490	0	0	54	$ 1,780,490
1980	46	2,077,450	28	$ 1,283,460	74	3,360,910
1981	9	675,500	6	149,900	15	825,400
1982	7	124,330	8	207,930	15	332,260
Total (thru 1982)	116	4,657,770	42	1,641,290	158	6,229,060

(Department of Energy)
Energy Grants-Site Acquisition
(Obligations)

	Initial Loans		Subsequent Loans		Total Loans	
Fiscal Year	Number	Amount	Number	Amount	Number	Amount
1979	81	$ 15,691,820	12	$ 1,239,270	93	$ 16,931,090
1980	81	13,961,740	16	3,066,410	97	17,028,150
1981	49	11,010,090	18	4,531,470	67	15,541,560
1982	16	2,749,590	4	197,550	20	2,947,140
Total (thru 1982)	227	43,413,240	50	9,034,700	277	52,447,940

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 2
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =ALABAMA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ABBEVILLE	32	11	13	21	11	10
ANDALUSIA	35	22	6	13	12	4
ANNISTON	3	10	0	2	.	1
ATHENS	27	14	3	10	6	2
BAY MINETTE	37	12	13	12	9	8
BREWTON	6	5	0	4	.	0
CAMDEN	4	[illegible]	2	1	.	0
CARROLLTON	4	5	1	2	0	0
CENTRE	36	57	6	26	10	5
CHATOM	6	3	3	2	3	0
CLANTON	3	4	1	0	0	0
CLAYTON	21	23	0	5	.	1
COLUMBIANA	7	6	3	0	.	1
CULLMAN	.	.	1	6	7	2
DADEVILLE	3	5	3	1	3	2
DOTHAN	53	32	27	52	42	13
DOUBLE SPRINGS	[illegible]	2	0	1	1	1
EUTAW	12	6	2	3	0	3
EVERGREEN	11	12	2	9	10	2
FLORENCE	11	11	6	10	4	5
FORT PAYNE	74	33	3	26	22	4
GADSDEN	2	3	0	6	5	1
GENEVA	43	14	12	24	.	1
GREENSBORO	7	5	0	2	0	0
GREENVILLE	[illegible]	7	0	6	.	2
GUNTERSVILLE	4	.	2	12	.	1
HAMILTON	12	15	1	6	7	1
HARTSELLE	5	10	0	10	7	6
HAYNEVILLE	3	3	7	10	4	7
HUNTSVILLE	43	30	17	43	24	15
JASPER	1	1	0	0	1	0
LAFAYETTE	2	2	1	0	.	2
LINDEN	14	7	5	2	1	0
LIVINGSTON	11	4	1	4	2	3
LUVERNE	24	11	4	9	.	1
MARION	4	3	0	0	.	0
MOBILE	1	16	4	6	6	0
MONROEVILLE	13	9	3	6	.	0
MONTGOMERY	10	4	3	6	3	1
MOULTON	10	5	0	6	5	2
NEW BROCKTON	44	12	5	17	16	2
ONEONTA	74	12	3	9	9	1
OPELIKA	6	5	1	0	.	1
OZARK	7	7	0	2	2	0
PRATTVILLE	1	1	0	0	1	0
RUSSELLVILLE	12	11	1	16	17	3
SCOTTSBORO	24	23	4	22	15	2
SELMA		.	1	5	3	1
TALLADEGA	17	13	9	22	16	4
TROY	21	24	2	14	14	0

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   3
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =ALABAMA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
TUSCALOOSA	0	7	0	7	7	2
TUSCUMBIA	15	3	3	10	11	1
TUSKEGEE	6	2	3	5	.	5
UNION SPRINGS	[illegible]	4	10	1	1	0
VERNON	4	1	3	1	.	1
WEDOWEE	[illegible]	6	3	5	4	3
WETUMPKA	5	3	0	3	2	2
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STNAME	297	643	199	506	350	135

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY85

STATE =ALASKA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
FAIRBANKS	0	0	2	0	.	0
JUNEAU	0	0	0	0	.	0
---------	-	-	-	-	-	-
STNAME	0	0	2	0	0	0

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 5
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE *ARIZONA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BENSON	.	.	.	2	.	1
BUCKEYE	5	11	7	5	6	4
CASA GRANDE	3	.	1	1	.	1
COOLIDGE	1	1	0	3	0	1
COTTONWOOD	2	1	0	5	6	2
DOUGLAS	15	3	3	0	0	0
ELOY	2	5	0	.	.	.
KINGMAN	4	7	0	1	.	1
LAKE HAVASU CITY	.	.	.	3	2	1
MESA	2	3	4	2	2	1
PARKER	7	8	0	.	.	.
PEORIA	0	1	2	2	.	2
PRESCOTT	3	5	0	.	.	.
SAFFORD	11	.	0	5	.	0
SNOWFLAKE	5	4	2	2	0	4
SPRINGERVILLE	1	0	0	0	1	0
TUCSON	1	1	2	1	0	0
WILLCOX	22	25	4	4	13	1
WINDOW ROCK	0	5	0	13	2	0
YUMA	1	.	0	1	.	0
STNAME	93	82	25	55	32	19

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 6
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

------------------------------STATE =ARKANSAS------------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ARKADELPHIA	6	0	8	8	5	2
ASH FLAT	23	38	16	16	28	17
ASHDOWN	10	14	3	3	.	1
AUGUSTA	51	50	1	36	50	0
BATESVILLE	22	44	15	24	32	10
BENTON	0	0	0	0	1	0
BENTONVILLE	6	7	4	6	7	0
BERRYVILLE	21	17	7	9	16	6
CAMDEN	0	0	0	0	0	0
CLARENDON	20	24	6	40	36	10
CLARKSVILLE	7	7	0	14	12	2
CLINTON	5	7	6	4	2	2
CONWAY	7	11	1	9	13	5
DANVILLE	15	27	2	7	17	2
DEQUEEN	9	6	2	4	.	5
DEWITT	[illegible]	23	4	22	31	0
EL DORADO	[illegible]	7	0	3	12	5
FAYETTEVILLE	25	25	9	15	6	7
FORDYCE	1	0	1	7	3	1
FORREST CITY	33	.	0	26	31	4
FORT SMITH	2	1	0	6	2	0
HAMBURG	[illegible]	10	1	31	30	0
HAMPTON	[illegible]	2	2	0	.	4
HARRISBURG	52	45	7	85	90	2
HARRISON	6	12	1	8	11	2
HAZEN	42	5	4	43	52	4
HEBER SPRINGS	13	13	5	10	14	3
HELENA	39	59	0	82	87	8
HOPE	16	4	5	26	28	3
HOT SPRINGS	1	.	0	0	0	0
HUNTSVILLE	5	15	3	0	8	4
JASPER	4	3	1	6	.	0
JONESBORO	1	.	0	45	54	0
LAKE VILLAGE	[illegible]	31	0	20	20	2
LEWISVILLE	.	7	0	2	2	0
LONOKE	[illegible]	104	12	73	90	2
MAGNOLIA	[illegible]	3	0	0	2	1
MALVERN	0	1	0	1	.	0
MARIANNA	6	.	3	64	69	2
MARION	[illegible]	32	2	35	45	0
MARSHALL	4	1	0	3	3	0
MC GEHEE	43	44	3	25	31	2
MELBOURNE	7	36	1	4	18	4
MENA	12	16	2	6	8	6
MONTICELLO	14	13	0	12	13	0
MORRILTON	17	13	7	4	5	1
MOUNTAIN HOME	[illegible]	1	6	7	1	7
MOUNTAIN VIEW	7	5	3	5	5	0
MT IDA	2	2	1	3	2	1
MURFREESBORO	10	23	0	3	11	6

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 7
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =ARKANSAS

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
NASHVILLE	15	23	4	8	18	1
NEWPORT	27	26	1	18	16	0
NORTH LITTLE ROCK	14	.	5	20	11	0
OSCEOLA	43	42	4	40	.	1
OZARK	5	6	5	2	5	0
PARAGOULD	35	31	0	30	26	0
PARIS	3	3	1	4	3	2
PERRYVILLE	6	5	2	0	1	2
PIGGOTT	34	18	1	3	.	0
PINE BLUFF	37	34	0	32	29	0
POCAHONTAS	9	3	0	8	11	0
PRESCOTT	17	12	2	2	.	0
RISON	14	2	4	5	0	4
RUSSELLVILLE	1	4	3	1	0	3
SALEM	10	14	0	2	4	3
SEARCY	44	45	1	38	43	5
SHERIDAN	0	1	0	0	1	1
STAR CITY	25	31	0	23	23	0
TEXARKANA	5	10	1	0	.	1
VAN BUREN	11	5	3	2	2	0
WALDRON	8	7	1	5	6	11
WALNUT RIDGE	14	3	5	18	15	2
WARREN	22	22	5	14	10	4
WYNNE	26	.	0	46	.	1
YELLVILLE	3	9	0	6	5	2
STNAME	1244	1137	202	1195	1232	186

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 8
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

------------------------------STATE =CALIFORNIA------------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALTURAS	10	15	0	21	21	1
ARROYO GRANDE	12	9	3	11	11	3
AUBURN	24	21	6	19	13	8
BAKERSFIELD	10	9	2	12	12	0
EL CENTRO	5	4	0	2	2	0
FRESNO	45	32	3	28	25	6
GILROY	1	1	0	4	1	3
HANFORD	4	4	0	4	4	0
MERCED	74	51	17	75	109	4
MODESTO	67	36	27	84	66	57
OROVILLE	[illegible]	9	1	6	6	0
RED BLUFF	18	15	4	9	11	2
REDDING	7	5	2	2	2	0
RIVERSIDE	15	16	3	4	5	1
SACRAMENTO	11	11	1	18	19	3
SALINAS	22	11	9	9	11	2
SANTA ROSA	11	10	3	3	7	3
STOCKTON	13	11	2	12	23	2
TULARE	5	2	2	3	3	2
UKIAH	15	13	5	17	23	2
VICTORVILLE	5	8	0	2	5	1
VISALIA	14	5	2	14	10	5
WILLOWS	30	30	0	22	22	2
YREKA	55	58	4	48	45	10
YUBA CITY	35	9	19	37	27	10
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STNAME	515	410	120	471	483	127

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 9
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =COLORADO

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALAMOSA	21	22	1	13	13	2
BRIGHTON	17	10	2	5	2	1
CANON CITY	.	.	.	0	.	0
CHEYENNE WELLS	17	8	13	16	.	4
CORTEZ	24	11	11	27	26	4
CRAIG	13	11	0	10	.	2
DELTA	7	15	1	13	21	0
FORT COLLINS	17	19	0	3	5	0
FORT LUPTON	21	14	2	19	23	4
FORT MORGAN	35	41	2	47	50	2
GRAND JUNCTION	14	9	2	20	21	2
GREELEY	42	19	6	42	38	3
LAMAR	23	19	7	30	25	2
LAS ANIMAS	14	12	5	13	20	1
LIMON	23	13	13	11	.	5
MONTE VISTA	34	36	6	40	45	1
MONTROSE	23	20	1	36	37	0
PUEBLO	9	10	1	3	8	1
ROCKY FORD	21	19	2	11	11	1
SALIDA	3	0	0	.	.	.
SPRINGFIELD	17	20	2	19	19	0
STERLING	10	16	2	14	20	2
TRINIDAD	4	5	1	7	2	3
WRAY	14	27	7	46	46	5
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STNAME	444	398	85	452	429	50

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 10
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =CONNECTICUT

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BROOKLYN	8	3	3	6	6	1
EAST HADDAM	1	1	0	2	0	1
LITCHFIELD	7	10	5	6	5	4
NORTH FRANKLIN	5	5	3	6	6	1
PUTNAM	9	7	9	2	2	4
WATERBURY	2	2	1	2	.	0
WILLIMANTIC	5	4	8	0	2	2
WINDSOR	3	6	3	2	1	0
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STNAME	45	33	32	26	22	13

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 11
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

------------------------------STATE =DELAWARE------------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
DOVER	15	8	2	9	.	0
GEORGETOWN	14	13	0	0	0	0
NEWARK	13	12	1	11	11	2
SEAFORD	13	12	0	7	5	0
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STNAME	55	45	3	27	16	2

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   12
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =FLORIDA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BARTOW	1	1	0	0	1	0
BLOUNTSTOWN	12	6	1	6	6	0
BONIFAY	37	31	8	35	27	14
BRONSON	14	10	0	.	.	.
BUSHNELL	15	5	10	11	9	7
CALLAHAN	0	.	0	.	.	.
CHIPLEY	11	11	2	1	.	0
CRESTVIEW	8	6	1	3	3	0
DEFUNIAK SPRINGS	5	4	0	2	0	0
DELAND	0	0	0	0	.	0
FORT MYERS	1	1	0	.	.	.
FORT PIERCE	2	.	0	2	2	0
GAINESVILLE	5	0	0	0	0	0
HOMESTEAD	7	7	7	0	.	1
IMMOKALEE	4	2	3	2	.	6
LAKE CITY	13	11	2	14	13	1
LEESBURG	7	1	1	0	0	1
LIVE OAK	27	11	7	4	5	4
MADISON	16	9	3	8	3	0
MARIANNA	32	12	13	17	.	3
MILTON	5	5	0	.	.	.
MOLINO	0	0	0	3	1	1
OCALA	2	2	0	2	1	0
OKEECHOBEE	1	3	0	5	5	2
ORLANDO	0	0	0	0	0	0
PALATKA	8	0	25	5	.	6
PALMETTO	0	.	1	.	.	.
PLANT CITY	0	1	3	2	.	7
QUINCY	0	5	1	1	1	0
SANFORD	6	2	4	2	0	2
SEBRING	6	1	4	12	1	9
TALLAHASSEE	3	3	0	0	0	0
WAUCHULA	0	1	0	0	1	0
WEST PALM BEACH	5	0	0	0	0	3
ZEPHYRHILLS	0	.	3	0	0	0
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STNAME	253	158	99	137	85	67

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 13
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =GEORGIA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBANY	21	18	6	13	12	0
ALMA	43	15	8	11	12	0
AMERICUS	31	23	4	42	48	0
ASHBURN	40	38	5	24	.	1
ATHENS	10	5	2	10	18	0
BAINBRIDGE	55	34	7	29	25	2
BARNESVILLE	1	0	0	1	1	0
BAXLEY	45	14	20	18	17	0
BLACKSHEAR	.	.	.	43	45	0
BLAIRSVILLE	1	0	1	2	3	0
BLAKELY	75	51	30	52	42	18
BUTLER	15	19	2	14	15	7
CAIRO	33	16	12	14	22	2
CALHOUN	5	8	2	5	.	0
CAMILLA	105	39	12	59	39	2
CARNESVILLE	5	11	4	6	10	1
CARROLLTON	2	1	1	5	10	2
CARTERSVILLE	1	1	0	0	.	0
CEDARTOWN	4	5	1	1	.	1
CLARKESVILLE	.	.	.	1	1	0
COCHRAN	35	11	14	26	13	2
COLQUITT	63	59	21	52	35	16
COVINGTON	1	1	0	1	2	1
CUTHBERT	7	.	0	.	.	.
DAWSON	37	16	17	35	21	13
DONALSONVILLE	42	11	11	27	19	2
DOUGLAS	69	43	19	45	29	7
DUBLIN	45	5	4	34	32	2
EATONTON	5	2	1	2	.	2
GAINESVILLE	0	0	0	1	1	0
GREENSBORO	1	.	0	4	3	6
GRIFFIN	13	6	1	2	2	1
HARTWELL	12	10	2	2	.	4
JASPER	0	2	1	0	2	0
LAFAYETTE	5	2	1	1	1	0
LOUISVILLE	34	25	6	20	12	6
LYONS	61	29	20	21	10	9
MACON	23	23	0	8	9	1
MADISON	7	4	2	2	.	1
MCDONOUGH	3	0	0	.	.	.
MCRAE	21	13	6	16	14	2
MONTEZUMA	15	13	2	7	6	1
MOULTRIE	59	33	14	37	33	1
NEWNAN	13	4	9	4	4	2
OCILLA	65	47	16	34	25	8
REIDSVILLE	31	36	5	13	24	2
SANDERSVILLE	25	20	5	7	3	2
STATESBORO	64	32	15	35	31	5
SUMMERVILLE	7	7	0	.	.	.
SWAINSBORO	16	11	3	7	8	0

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 14
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY 30TH FY85 AND FY86

---STATE =GEORGIA---

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
SYLVANIA	[illegible]	35	5	15	13	1
SYLVESTER	57	50	5	53	54	2
THOMSON	.	.	.	4	2	0
TIFTON	[illegible]	57	4	39	40	2
VALDOSTA	62	37	14	35	.	0
VIENNA	4	10	0	6	9	0
WARRENTON	4	4	1	.	.	.
WASHINGTON	.	4	1	0	.	0
WAYCROSS	56	43	12	.	.	.
WAYNESBORO	37	35	14	24	.	0
WINDER	3	.	0	.	.	.
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STNAME	[illegible]	1094	365	976	777	133

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 15
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY 30TH FY85 AND FY86

---STATE =HAWAII---

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
HILO	1	0	0	0	1	1
HONOLULU	4	2	9	13	23	4
KEALAKEKUA KONA	2	4	0	1	4	1
LIHUE	0	0	0	1	1	0
PAGO PAGO	.	.	.	0	1	0
WAILUKU MAUI	7	9	1	5	6	1
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STNAME	14	15	10	20	36	7

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                    OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND      16:29 MONDAY, APRIL 21, 1986   16
                                 OPERATING LOANS CLOSED TO DATE
                            AS OF THE END OF JANUARY 30TH FY85 AND FY86

-----------------------------------------------------------STATE =IDAHO--------------------------------------------------------------

    COUNTY          APPLICATIONS    APPLICATIONS        LOANS           APPLICATIONS    APPLICATIONS        LOANS
    OFFICE          RECEIVED        ON HAND             CLOSED          RECEIVED        ON HAND             CLOSED
                    FY85 TO DATE    JANUARY 31, 1985    FY85 TO DATE    FY86 TO DATE    JANUARY 31, 1986    FY86 TO DATE

    ARCO                  15              14                 2                4               0                 0
    BLACKFOOT             14              16                 0               15              11                 5
    BURLEY                21              17                 3               31              23                 3
    CALDWELL              31              29                 3               22              20                 0
    COEUR D'ALENE          9               5                 6                8               5                 2
    EMMETT                17               9                 1                6              10                 0
    GOODING               11               9                 3               13              11                 5
    GRANGEVILLE           11              12                 2               21              19                 9
    IDAHO FALLS           25              25                 6               14              10                 9
    JEROME                 5               3                 3                9               9                 2
    LEWISTON               9               7                 2               23              13                 4
    MALAD CITY             8               7                 2                9               4                 3
    MARSING               37              47                19               29              16                 9
    MERIDIAN               5               1                 5                2               .                 1
    MONTPELIER            17              17                 6               25              10                 7
    MOSCOW                 7               5                 6                .               .                 .
    MOUNTAIN HOME         33              20                 5               15              12                 1
    PAYETTE               12               9                 3                9              10                 1
    POCATELLO              7               5                 2               17               .                 1
    PRESTON               17              12                 5               17              14                 9
    REXBURG                7               6                 0                2               .                 0
    RIGBY                  6               6                 7               12              11                 3
    RUPERT                 3              31                 9               33               .                 3
    SALMON                 2               .                 1                1               0                 2
    SANDPOINT              4               3                 4                6               1                 7
    SHOSHONE              39              36                11               45              18                29
    SODA SPRINGS          15              14                 3               13               6                 6
    TWIN FALLS            24              19                 3               18              20                 3
    WEISER                22              16                 7               12              14                 5
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    STNAME               474             435               131              428             267               129
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OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 18
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

---STATE =ILLINOIS---

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBION	11	6	4	6	5	3
ANNA	13	7	6	9	8	1
BELVIDERE	30	114	4	33	60	2
BENTON	2	0	4	6	7	3
BLOOMINGTON	27	33	3	13	12	4
CAIRO	3	7	0	0	0	1
CAMBRIDGE	64	56	5	12	.	3
CANTON	33	13	3	46	38	14
CARLINVILLE	46	45	2	59	54	25
CARROLLTON	43	34	9	20	16	10
CARTHAGE	47	48	9	83	67	23
CHAMPAIGN	16	10	7	15	13	4
CHARLESTON	10	9	2	9	9	1
CHATHAM	23	17	3	20	18	4
DANVILLE	38	42	15	53	38	17
EDWARDSVILLE	7	11	1	4	4	0
EFFINGHAM	22	27	2	16	27	3
ELIZABETH	31	23	4	13	15	5
FAIRFIELD	10	5	8	19	15	8
FLORA	7	6	0	6	8	1
FREEPORT	45	26	15	26	40	9
GALESBURG	19	20	6	37	42	4
GREENVILLE	7	6	0	7	4	2
HARRISBURG	24	30	0	12	.	0
HILLSBORO	40	39	4	32	34	4
JACKSONVILLE	30	23	3	19	22	4
JERSEYVILLE	17	10	1	17	16	2
KANKAKEE	24	19	0	24	17	2
LAWRENCEVILLE	5	7	2	6	8	3
LINCOLN	72	52	18	46	51	7
MACOMB	35	39	8	31	34	5
MARION	9	2	0	2	2	0
MARSHALL	47	42	6	30	32	4
MC LEANSBORO	3	1	1	9	8	5
MELVIN	26	29	2	23	25	5
METROPOLIS	10	10	2	6	6	3
MONMOUTH	74	76	6	33	36	2
MONTICELLO	55	33	10	37	29	7
MORRIS	49	53	0	39	30	5
MORRISON	45	47	2	33	44	6
MOUNDS	4	3	4	3	5	3
MURPHYSBORO	3	3	0	2	1	2
NASHVILLE	10	9	0	10	11	0
OLNEY	0	0	1	13	12	1
OREGON	65	50	2	39	47	0
OTTAWA	37	34	6	67	69	5
PARIS	14	.	0	17	13	4
PEKIN	17	7	2	9	8	0
PITTSFIELD	63	35	6	10	7	0
PONTIAC	45	6	10	94	35	10

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AS OF THE END OF JANUARY BOTH FY85 AND FY86

---STATE =ILLINOIS---

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
PRINCETON	62	54	10	24	30	11
QUINCY	40	24	11	37	38	3
RIDGWAY	21	19	5	24	26	0
RUSHVILLE	31	30	2	5	.	3
SALEM	4	6	1	12	6	9
SHELBYVILLE	22	19	1	22	21	2
SPARTA	11	10	3	6	8	0
TAYLORVILLE	30	25	2	33	31	2
TUSCOLA	14	18	3	21	14	5
VANDALIA	22	30	3	20	.	1
WATSEKA	59	59	7	53	56	4
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STNAME	1751	1547	256	1443	1332	276

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   20
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =INDIANA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBION	5	8	1	1	.	0
ANDERSON	7	20	0	4	7	0
AUBURN	4	5	4	0	.	0
BEDFORD	13	15	0	1	3	0
BLOOMFIELD	.	.	.	3	4	3
BLOOMINGTON	4	0	0	1	.	0
BLUFFTON	14	10	0	14	10	1
BOONVILLE	5	4	0	6	6	2
COLUMBIA CITY	3	4	1	2	1	0
COLUMBUS	6	7	0	4	4	2
CONNERSVILLE	16	6	1	8	6	2
CORYDON	5	22	4	6	6	0
COVINGTON	17	17	0	35	26	3
COVINGTON	17	17	0	35	26	3
DANVILLE	[illegible]	3	0	4	3	0
DECATUR	7	13	2	8	5	0
DELPHI	47	16	4	21	10	0
GOSHEN	6	.	1	2	4	0
GREENCASTLE	21	24	5	0	5	0
GREENSBURG	17	5	7	16	16	4
JASPER	1	7	3	5	7	1
KNOX	25	30	1	16	17	1
KNOX	25	30	1	16	17	1
LA PORTE	11	17	0	9	10	0
LAFAYETTE	32	24	1	15	19	1
LEBANON	15	14	0	0	1	0
LEBANON	16	14	0	0	1	0
LOGANSPORT	33	12	1	14	10	3
MADISON	10	7	1	3	4	0
MARION	61	39	5	35	38	7
MONTICELLO	13	9	0	5	.	0
NEW CASTLE	15	24	0	26	33	4
NORTH VERNON	3	.	2	8	5	0
PLYMOUTH	-1	31	4	35	.	7
PRINCETON	.	7	2	5	5	4
RENSSELAER	37	36	0	29	24	1
RISING SUN	5	9	4	5	14	0
ROCKVILLE	0	.	0	7	5	1
SALEM	33	15	3	17	8	7
SCOTTSBURG	24	30	3	21	24	7
SHELBYVILLE	23	31	1	11	14	0
SULLIVAN	4	.	3	0	.	0
TELL CITY	8	7	0	5	4	2
VALPARAISO	13	19	0	1	0	0
VINCENNES	4	1	1	8	.	0
WARSAW	3	19	0	9	3	7
WINCHESTER	37	21	6	5	.	3
STATE	752	652	72	480	410	77

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 21
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =IOWA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBIA	71	71	0	56	51	7
ALGONA	41	55	1	30	57	11
AMES	72	.	0	32	3	16
ANAMOSA	53	54	1	43	63	5
ANKENY	[illegible]	[illegible]	0	37	34	10
ATLANTIC	117	112	1	47	105	10
BEDFORD	[illegible]	45	2	34	57	3
BLOOMFIELD	54	31	10	13	26	3
CENTERVILLE	37	31	5	38	38	4
CHARITON	77	55	21	35	30	6
CHARLES CITY	34	29	0	6	39	1
CLARION	[illegible]	49	3	43	60	1
CORNING	[illegible]	77	12	53	53	17
CORYDON	[illegible]	56	3	40	59	9
CRESTON	113	138	15	91	120	18
DECORAH	50	80	9	24	34	13
DENISON	84	70	1	55	95	3
ELKADER	54	5	14	17	13	23
EMMETSBURG	35	43	1	25	21	12
EPWORTH	.	.	.	13	8	4
FAIRFIELD	34	43	2	30	50	7
FORT MADISON	84	57	5	57	55	11
GARNER	95	123	13	36	69	13
GREENFIELD	55	53	2	64	64	6
GUTHRIE CENTER	47	59	6	55	70	12
HARLAN	74	32	3	22	.	2
HUMBOLDT	104	79	11	51	97	32
IDA GROVE	70	74	3	113	115	8
INDEPENDENCE	30	.	0	15	13	6
INDIANOLA	22	35	5	27	38	5
IOWA FALLS	95	35	16	91	96	12
JEFFERSON	58	67	2	96	108	10
KEOSAUQUA	12	12	2	10	6	8
KNOXVILLE	51	25	1	19	31	7
LEMARS	71	74	4	64	51	11
LOGAN	61	52	0	29	36	5
MANCHESTER	35	32	15	24	27	10
MAPLETON	27	27	1	34	36	2
MAQUOKETA	73	93	0	74	74	12
MASON CITY	40	37	1	60	75	4
MOUNT PLEASANT	25	74	5	17	23	5
MUSCATINE	57	57	3	55	64	27
NEW HAMPTON	72	70	4	57	55	10
NEWTON	72	93	6	73	113	25
OSCEOLA	90	109	2	63	75	8
OSKALOOSA	10	32	6	16	19	5
PARKERSBURG	39	25	2	32	37	6
POCAHONTAS	91	30	6	51	43	9
RED OAK	[illegible]	72	1	26	53	6
SAC CITY	54	57	2	139	115	7

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   22
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

---------------------------------STATE =IOWA---------------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
SHELDON	34	38	5	65	66	16
SHENANDOAH	36	36	2	35	40	16
SIBLEY	130	97	5	162	186	17
SIGOURNEY	9	25	1	14	21	15
SIOUX CITY	52	82	2	55	74	9
SPENCER	54	42	10	23	22	4
STORMLAKE	105	96	17	97	117	9
TIPTON	15	32	3	46	65	5
TOLEDO	90	77	9	168	135	21
WAVERLY	35	27	3	23	.	7
WEST UNION	50	47	7	31	45	8
WILLIAMSBURG	41	103	20	51	67	12
WINTERSET	.	.	.	24	.	7
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STNAME	3520	3534	334	3054	3524	634

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 23
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

-----STATE =KANSAS-----

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALTAMONT	32	27	3	25	21	8
ATCHISON	33	34	6	19	20	7
BURLINGTON	22	21	5	11	12	3
COLUMBUS	27	9	17	15	15	11
CONCORDIA	33	40	1	26	35	4
DODGE CITY	27	27	1	35	39	10
EL DORADO	6	4	13	23	23	12
EMPORIA	15	20	3	20	.	7
FORT SCOTT	15	.	4	13	.	5
FREDONIA	38	59	9	27	38	14
GARDEN CITY	17	15	1	4	6	1
GIRARD	35	53	2	34	55	7
GOODLAND	31	37	3	15	.	1
HAYS	22	13	4	17	13	5
HILL CITY	12	29	0	21	49	13
HOLTON	29	30	7	31	32	6
HUGOTON	13	15	0	23	24	0
INDEPENDENCE	22	32	19	47	51	14
IOLA	23	23	5	19	27	1
LAWRENCE	35	25	4	3	7	0
LYONS	17	24	7	16	30	6
MANHATTAN	30	25	8	23	24	11
MANKATO	27	44	13	20	20	10
MARYSVILLE	48	59	6	19	72	3
MEADE	13	19	4	24	34	7
NESS CITY	24	14	2	11	.	7
NORTON	32	37	8	27	46	7
OAKLEY	10	18	0	34	32	10
OTTAWA	38	33	3	27	19	0
PAOLA	12	12	0	2	2	2
PRATT	35	29	13	24	24	25
SALINA	27	17	4	29	15	6
SCOTT CITY	14	11	0	10	14	6
SENECA	56	64	1	46	73	14
SMITH CENTER	28	39	8	32	30	17
SOUTH HUTCHINSON	24	42	9	29	43	22
SYRACUSE	14	13	4	13	15	1
WASHINGTON	65	70	19	30	45	18
WELLINGTON	23	32	21	6	32	10
WINFIELD	31	48	7	26	59	14
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STNAML	1062	1164	244	376	1096	325

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 24
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =KENTUCKY

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBANY	11	3	4	4	5	0
BARBOURVILLE	1	1	1	2	2	0
BARBOURVILLE	1	1	1	2	2	0
BARDSTOWN	9	9	3	6	8	1
BEATTYVILLE	2	5	1	2	5	0
BOWLING GREEN	59	70	3	59	82	9
BROOKSVILLE	35	33	4	16	.	1
BURKESVILLE	12	15	6	9	9	0
CAMPBELLSVILLE	22	32	4	23	31	6
CAMPTON	12	12	3	.	.	.
CATLETTSBURG	3	7	9	5	4	1
CLINTON	29	39	5	32	35	1
COLUMBIA	33	26	12	20	16	8
CYNTHIANA	47	73	7	16	35	3
ELIZABETHTOWN	43	45	5	8	18	4
ELIZABETHTOWN	43	49	5	8	18	4
ELKTON	27	22	2	29	34	0
ELKTON	27	22	2	29	34	0
FALMOUTH	13	24	4	1	.	1
FLEMINGSBURG	24	29	8	11	21	4
FRANKFORT	4	9	2	2	4	1
FRANKFORT	4	9	2	2	4	1
FRENCHBURG	13	53	3	12	15	4
FRENCHBURG	13	58	3	12	15	4
GLASGOW	35	57	9	23	33	3
GRAYSON	1	10	2	8	10	1
GREENUP	0	0	0	0	.	0
GREENVILLE	3	4	0	7	7	3
HARDINSBURG	21	27	6	28	33	11
HARRODSBURG	6	20	0	9	10	2
HARTFORD	23	35	3	16	16	4
HAZARD	.	.	.	1	1	0
HENDERSON	33	47	3	33	41	9
HOPKINSVILLE	47	52	0	35	38	0
IRVINE	9	8	1	0	4	0
IRVINE	9	8	1	0	4	0
JAMESTOWN	10	9	5	6	7	5
LA GRANGE	7	.	0	5	5	0
LACENTER	3	2	2	1	2	2
LAWRENCEBURG	4	6	1	0	0	1
LEITCHFIELD	14	15	7	16	.	2
LIBERTY	12	10	2	7	8	0
LONDON	5	3	5	5	.	1
LONDON	5	8	5	5	.	1
MADISONVILLE	2	1	2	0	.	4
MANCHESTER	5	.	1	3	5	0
MARION	9	0	0	4	.	0
MAYFIELD	31	0	3	11	15	0
MAYSVILLE	17	13	5	18	16	6
MCKEE	13	13	0	1	.	1

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   25
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY 30TH FY85 AND FY86

STATE =KENTUCKY

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
MCKEE	13	13	0	1	.	1
MONTICELLO	15	10	1	4	6	1
MONTICELLO	16	10	1	4	6	1
MOREHEAD	5	5	1	6	6	0
MORGANTOWN	25	32	12	33	39	6
MT. STERLING	19	37	4	15	23	5
MUNFORDVILLE	23	40	6	19	.	0
MURRAY	17	21	7	12	.	7
NEW CASTLE	10	16	0	2	8	1
NICHOLASVILLE	2	9	3	4	9	1
OWENSBORO	15	18	2	14	.	1
OWENTON	13	15	4	10	7	2
PAINTSVILLE	5	0	1	.	.	.
PRINCETON	45	50	4	13	19	5
RICHMOND	15	34	6	8	26	3
RUSSELLVILLE	15	43	10	13	37	0
SHELBYVILLE	16	67	5	12	15	2
SHEPHERDSVILLE	14	16	1	13	14	1
SOMERSET	13	12	11	14	12	10
SOMERSET	13	12	11	14	12	10
SPRINGFIELD	15	35	1	17	46	0
SPRINGFIELD	15	35	1	17	45	0
STANFORD	44	55	11	41	48	14
STANTON	7	4	1	2	2	0
STANTON	7	4	1	2	2	0
TOMPKINSVILLE	19	13	7	19	19	4
VANCEBURG	13	10	3	9	.	1
WEST LIBERTY	[illegible]	15	2	8	3	2
WILLIAMSTOWN	11	3	0	6	4	2
WINCHESTER	17	20	7	13	23	5
STNAME	1545	1696	296	902	1092	194

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 26
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =LOUISIANA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ABBEVILLE	143	134	37	72	81	3
ALEXANDRIA	136	54	39	42	49	12
AMITE	22	18	15	5	2	15
BASTROP	63	48	5	48	39	0
BENTON	14	13	0	12	20	4
CLINTON	3	3	2	4	4	2
COLFAX	10	10	0	17	15	2
COLUMBIA	53	48	3	53	54	4
COUSHATTA	22	12	5	6	11	2
CROWLEY	74	34	3	67	67	0
FARMERVILLE	3	5	0	2	4	0
FERRIDAY	49	53	2	50	.	0
FRANKLINTON	6	.	11	6	6	6
GREENSBURG	5	1	5	10	5	7
GRETNA	0	0	0	3	2	0
HOMER	5	.	3	10	6	4
JENNINGS	123	81	20	103	82	16
JONESBORO	0	.	0	2	2	0
JONESVILLE	62	59	0	45	49	2
LAFAYETTE	27	25	0	19	27	0
LAKE CHARLES	31	32	33	116	117	21
LAKE PROVIDENCE	6	62	2	21	33	2
LAPLACE	4	5	2	1	1	0
MARKSVILLE	169	110	44	108	.	7
NATCHITOCHES	37	53	30	61	59	16
NEW IBERIA	75	74	0	34	39	3
NEW ROADS	47	24	1	41	46	1
OAK GROVE	132	144	3	80	84	4
OAKDALE	57	7	5	9	.	0
OPELOUSAS	197	182	8	182	212	0
PORT ALLEN	23	25	4	18	26	2
RAYVILLE	139	77	20	130	114	5
RUSTON	7	8	4	4	6	4
SHREVEPORT	10	4	2	11	6	0
ST. JOSEPH	72	62	10	41	40	11
ST. MARTINVILLE	98	74	31	70	71	4
TALLULAH	80	79	0	90	82	3
THIBODAUX	22	7	16	22	10	33
VILLE PLATTE	62	83	10	60	63	0
WEST MONROE	10	7	2	12	15	0
WINNSBORO	155	165	22	175	228	3
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STNAME	2315	1942	399	1862	1777	198

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   27
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

-----STATE =MAINE-----

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
AUBURN	5	3	1	3	4	0
AUGUSTA	4	5	2	5	4	2
BANGOR	12	12	2	6	3	3
BATH	7	3	0	2	.	0
BELFAST	19	16	3	6	.	5
BRIDGTON	1	0	2	2	2	0
BUCKSPORT	1	2	1	0	.	1
CALAIS	5	4	6	3	5	4
CARIBOU	26	27	0	18	20	3
CHERRYFIELD	4	2	5	3	5	0
DAMARISCOTTA	5	4	0	1	.	2
DOVER-FOXCROFT	21	4	2	3	3	1
ELLSWORTH	3	0	1	.	.	.
FARMINGTON	9	7	2	5	.	3
FORT FAIRFIELD	62	37	3	8	.	2
FORT KENT	5	4	0	16	16	0
HOULTON	63	41	0	12	14	0
ISLAND FALLS	3	3	5	9	5	5
LINCOLN	[illegible]	5	2	4	4	3
MACHIAS	1	3	3	4	.	1
NEWPORT	2	2	0	1	3	4
PRESQUE ISLE	27	28	3	0	.	0
ROCKLAND	13	8	8	10	5	15
SANFORD	4	2	4	3	.	2
SKOWHEGAN	8	8	4	11	8	4
SOUTH PARIS	9	8	6	2	.	2
VAN BUREN	31	32	0	0	0	0
WATERVILLE	6	5	6	7	3	10
WESTBROOK	4	3	2	1	.	1
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STNAME	374	278	73	146	104	73

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                    OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND      16:29 MONDAY, APRIL 21, 1986   28
                                 OPERATING LOANS CLOSED TO DATE
                           AS OF THE END OF JANUARY BOTH FY85 AND FY86

-------------------------------------------------------STATE =MARYLAND----------------------------------------------------------

   COUNTY            APPLICATIONS    APPLICATIONS         LOANS          APPLICATIONS     APPLICATIONS          LOANS
   OFFICE            RECEIVED        ON HAND              CLOSED         RECEIVED         ON HAND               CLOSED
                     FY85 TO DATE    JANUARY 31, 1985     FY85 TO DATE   FY86 TO DATE     JANUARY 31, 1986      FY86 TO DATE

   BEL AIR                 2                3                  0               0                1                    0
   CAMBRIDGE              42               10                  2               8                6                    0
   CENTREVILLE             3                6                  1               1                1                    0
   CHESTERTOWN            13               10                  0               5                .                    0
   CUMBERLAND              .                .                  .               1                1                    0
   DENTON                  1                1                  1              10                5                    1
   FREDERICK              12                5                  2               2                2                    3
   HAGERSTOWN              7                3                  1               5                .                    1
   LA PLATA                7                1                  5               2                .                    3
   LEONARDTOWN             .                7                 12               4                1                    7
   NORTH EAST              5                4                  0               5                4                    0
   OAKLAND                 3                3                  1               0                0                    0
   PRINCE FREDERICK        1                3                  8               1                1                    2
   PRINCESS ANNE           7                7                  1               5                5                    1
   SALISBURY               2                5                  1               2                2                    1
   SNOW HILL               4                4                  5              12                8                    3
   WESTMINSTER             3               11                  3               1                0                    4
   ---------------        ---              --                 --              --               --                   --
   STNAME                112               75                 43              64               37                   26
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                    OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND      16:29 MONDAY, APRIL 21, 1986   29
                                 OPERATING LOANS CLOSED TO DATE
                           AS OF THE END OF JANUARY BOTH FY85 AND FY86

---------------------------------------------------STATE =MASSACHUSETTS--------------------------------------------------------

   COUNTY            APPLICATIONS    APPLICATIONS         LOANS          APPLICATIONS     APPLICATIONS          LOANS
   OFFICE            RECEIVED        ON HAND              CLOSED         RECEIVED         ON HAND               CLOSED
                     FY85 TO DATE    JANUARY 31, 1985     FY85 TO DATE   FY86 TO DATE     JANUARY 31, 1986      FY86 TO DATE

   BOURNE                  0                .                  0               .                .                    .
   GARDNER                 1                2                  1               1                3                    1
   GREENFIELD              6                3                  6               7                .                    4
   HADLEY                 12               12                  1               6                7                    2
   HOLDEN                  0                6                  0               2                1                    1
   LITTLETON               3                .                  4               1                2                    2
   MIDDLEBORO              2                3                  4               0                .                    0
   PITTSFIELD              3                2                  0               8                2                    0
   PLYMOUTH                1                7                  0               2                5                    1
   RAYNHAM                 2                .                  2               .                .                    .
   SOUTH YARMOUTH          3                3                  1               3                1                    0
   WHITINSVILLE            1                3                  1               0                0                    0
   --------------         --               --                 --              --               --                   --
   STNAME                 34               46                 20              30               21                   11
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OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 30
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =MICHIGAN

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ADRIAN	31	37	7	44	47	6
ALLEGAN	6	7	3	17	16	7
ALPENA	23	11	3	17	12	15
BAD AXE	43	35	11	33	31	10
BELLAIRE	4	11	2	3	5	6
BENTON HARBOR	27	26	1	2	8	0
BIG RAPIDS	15	24	4	15	15	3
CARO	15	10	1	9	.	0
CASSOPOLIS	16	15	3	13	9	2
CENTREVILLE	11	2	0	5	6	0
CHARLOTTE	31	31	1	3	4	2
COLDWATER	7	10	2	1	2	0
ESCANABA	9	11	3	2	2	0
EWEN	4	.	0	1	0	0
GRAND HAVEN	30	49	16	16	27	2
HASTINGS	10	15	4	9	8	3
HILLSDALE	35	47	27	25	32	3
HOWELL	1	2	2	4	1	0
IONIA	29	31	2	8	30	3
ITHACA	5	3	0	22	25	2
LAKE CITY	16	.	3	3	3	11
LAPEER	12	11	1	5	1	2
MARQUETTE	17	9	0	5	6	1
MARSHALL	11	25	0	10	11	2
MASON	3	10	2	6	5	3
MIO	5	4	7	10	3	5
MT. MORRIS	3	1	0	1	3	0
MT. PLEASANT	19	12	3	16	13	0
OWOSSO	3	11	0	4	7	2
PAW PAW	11	5	2	6	6	1
PETOSKEY	10	6	2	2	0	1
PORT HURON	[illegible]	3	0	7	10	0
SAULT STE. MARIE	1	3	3	3	2	0
SCOTTVILLE	15	18	2	4	7	3
SPARTA	6	13	3	2	.	1
STANDISH	10	9	0	21	21	2
STANTON	17	16	5	19	14	2
TRAVERSE CITY	15	13	11	12	18	4
WEST BRANCH	1	2	0	2	1	3
WHITMORE LAKE	33	28	5	29	31	3
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STNAME	561	450	141	416	442	110

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 31
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

-----STATE =MINNESOTA-----

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ADA	41	50	0	32	32	3
AGRICULTURE SERVICE	3	.	2	4	.	2
ALBERT LEA	100	109	3	77	198	3
ALEXANDRIA	34	32	7	18	24	8
AUSTIN	50	83	1	79	124	2
BAGLEY	25	27	14	19	6	16
BAUDETTE	11	13	2	2	1	5
BEMIDJI	3	8	0	1	1	0
BENSON	30	27	0	27	18	2
BRAINERD	15	15	0	7	.	1
BUFFALO	53	16	0	33	26	11
CALEDONIA	.	.	.	5	.	1
CAMBRIDGE	12	10	1	6	9	1
CROOKSTON	102	102	3	52	.	2
DETROIT LAKES	32	21	5	14	19	3
DULUTH	7	6	0	3	2	3
FAIRMONT	36	93	1	99	93	15
FARIBAULT	13	17	0	18	43	9
FERGUS FALLS	63	74	6	40	62	13
GLENCOE	53	43	5	46	43	9
GLENWOOD	23	21	1	17	16	10
GRAND RAPIDS	33	23	11	12	11	6
HALLOCK	77	53	18	49	41	10
IVANHOE	130	103	7	72	69	20
JORDAN	9	9	0	.	.	.
LITCHFIELD	37	93	4	26	28	7
LITTLE FALLS	30	31	7	29	26	13
LONG PRAIRIE	23	26	5	24	24	5
MADISON	123	116	6	126	193	22
MAHNOMEN	31	26	12	37	24	22
MANKATO	33	75	6	76	122	4
MARSHALL	74	81	4	83	79	15
MCINTOSH	136	139	17	74	85	6
MILACA	21	32	8	16	.	9
MONTEVIDEO	49	56	2	37	38	4
MOORHEAD	42	65	1	51	78	5
MORA	13	17	7	19	19	12
MORRIS	37	34	2	31	36	3
NORTH BRANCH	9	11	0	4	.	4
OLIVIA	79	87	1	54	81	8
OWATONNA	36	41	2	44	56	2
PINE CITY	16	7	1	12	10	3
PRESTON	33	44	3	49	97	10
REDWOOD FALLS	74	66	1	121	91	27
ROCHESTER	20	41	3	17	34	14
ROSEAU	92	91	18	86	83	16
SLAYTON	93	96	3	119	151	15
ST. CLOUD	37	76	0	28	74	6
THIEF RIVER FALLS	112	115	21	26	33	2
VIRGINIA	0	.	0	4	1	1

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   32
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AS OF THE END OF JANUARY BOTH FY85 AND FY86

---STATE =MINNESOTA---

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
WADENA	43	58	11	29	.	20
WARREN	76	81	4	48	58	1
WILLMAR	36	64	9	26	39	13
WORTHINGTON	65	73	11	86	91	3
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STNAME	2567	2694	254	2114	2439	427

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 33
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =MISSISSIPPI

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ABERDEEN	21	.	0	19	22	0
ACKERMAN	11	14	0	0	3	0
ASHLAND	10	4	3	0	.	0
BATESVILLE	51	58	0	13	14	0
BAY SPRINGS	5	[illegible]	2	5	.	1
BAY ST. LOUIS	4	4	0	1	2	1
BELZONI	13	.	0	2	5	0
BOONEVILLE	27	29	2	0	.	0
BRANDON	4	4	1	4	4	2
BROOKHAVEN	[illegible]	7	6	4	2	12
CALHOUN CITY	57	44	9	33	35	0
CANTON	33	65	2	3	3	1
CARROLLTON	3	5	0	2	.	0
CARTHAGE	11	15	4	1	2	1
CHARLESTON	53	49	0	17	19	1
CLARKSDALE	23	41	2	4	4	0
CLEVELAND	74	59	0	33	38	0
COFFEEVILLE	20	5	5	7	7	0
COLLINS	11	14	3	0	.	1
COLUMBIA	3	6	3	3	3	1
COLUMBUS	32	24	15	16	14	7
CORINTH	0	0	0	0	.	2
DECATUR	20	11	24	0	5	0
DEKALB	15	23	7	5	12	2
DREW	31	32	1	8	6	0
ESCATAWPA	3	4	0	0	1	0
EUPORA	7	5	1	6	9	0
FAYETTE	5	5	1	0	.	0
FOREST	9	23	3	14	26	8
FULTON	3	4	0	5	4	0
GREENVILLE	53	45	0	20	.	0
GREENWOOD	35	32	0	20	14	1
GRENADA	5	4	0	0	.	1
GULFPORT	0	.	0	0	6	0
HATTIESBURG	6	6	0	.	.	.
HAZLEHURST	27	7	1	.	.	.
HOLLY SPRINGS	23	16	2	1	.	0
HOUSTON	34	32	3	11	14	1
INDIANOLA	35	23	2	6	12	0
IUKA	1	5	0	0	1	0
JACKSON	12	15	5	0	3	1
KOSCIUSKO	20	22	2	9	8	2
LAUREL	15	34	0	0	.	2
LEAKESVILLE	[illegible]	24	2	12	21	5
LEXINGTON	43	44	0	35	38	4
LIBERTY	14	16	2	0	3	8
LOUISVILLE	10	16	6	1	3	0
LUCEDALE	9	5	1	6	7	0
MACON	32	29	3	13	14	2
MAGNOLIA	12	17	0	6	13	6

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 34
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =MISSISSIPPI

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
MARKS	104	88	0	51	79	0
MEADVILLE	3	2	1	5	1	2
MENDENHALL	15	13	15	6	5	6
MERIDIAN	3	3	0	1	1	2
MONTICELLO	10	9	3	6	4	5
NATCHEZ	0	5	0	0	5	1
NEW ALBANY	11	15	1	5	6	0
NEW AUGUSTA	5	11	4	1	2	0
OXFORD	5	1	0	3	.	0
PHILADELPHIA	3	2	1	1	9	3
PONTOTOC	29	25	2	4	4	2
POPLARVILLE	33	30	22	7	10	22
PORT GIBSON	31	16	15	5	6	5
PRENTISS	4	.	1	1	13	3
PURVIS	3	5	4	2	3	2
QUITMAN	5	4	1	1	2	0
RALEIGH	13	21	4	9	6	4
RIPLEY	19	12	4	6	5	3
ROLLING FORK	20	18	1	10	.	0
SENATOBIA	17	15	0	9	9	0
STARKVILLE	15	19	2	5	6	0
TUNICA	74	35	1	19	18	0
TUPELO	.	.	0	3	6	0
TYLERTOWN	10	11	5	3	10	3
VICKSBURG	2	.	1	.	.	.
WAYNESBORO	4	7	0	0	0	3
WEST POINT	18	20	3	9	14	3
WIGGINS	7	15	2	0	3	3
WINONA	5	5	0	0	.	0
WOODVILLE	9	8	1	4	4	0
YAZOO CITY	16	15	0	9	7	1
STNAME	1463	1354	217	533	634	146

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   35
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =MISSOURI

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBANY	41	46	5	28	17	10
AVA	.	22	3	0	13	0
BETHANY	54	61	1	19	26	3
BLOOMFIELD	17	16	1	7	.	0
BOLIVAR	1	0	1	0	.	0
BOWLING GREEN	47	46	2	21	19	3
BROOKFIELD	130	132	5	30	.	9
BUTLER	37	39	4	19	20	8
CALIFORNIA	3	2	0	9	5	2
CARROLLTON	37	24	8	42	29	6
CARTHAGE	10	11	0	1	.	1
CARUTHERSVILLE	41	40	0	20	20	0
CASSVILLE	12	10	6	3	2	0
CHARLESTON	39	27	8	28	35	0
CHILLICOTHE	23	33	1	10	13	0
CLINTON	5	15	0	4	1	1
COLUMBIA	4	4	2	6	3	0
DEXTER	42	41	0	26	26	3
DONIPHAN	3	2	1	3	5	1
EDINA	37	33	2	24	27	5
ELDON	29	21	6	18	12	11
ELLINGTON	3	2	1	0	.	2
FARMINGTON	0	.	0	.	.	.
FAYETTE	4	5	1	1	.	1
FORSYTH	1	1	2	3	2	3
FULTON	10	9	0	7	6	1
GALLATIN	107	101	4	13	9	0
HARTVILLE	11	12	4	9	7	8
HIGGINSVILLE	8	5	0	9	7	2
HILLSBORO	1	0	0	0	0	1
HOUSTON	12	15	7	5	1	5
JACKSON	5	8	0	2	3	1
KAHOKA	73	77	1	37	52	0
KENNETT	70	61	9	36	38	2
KEYTESVILLE	39	45	7	30	30	11
KINGSTON	34	50	3	2	11	3
KIRKSVILLE	32	55	0	21	37	1
LAMAR	20	25	12	12	16	9
LANCASTER	12	8	2	12	12	4
LEBANON	11	10	4	6	4	6
LINN	11	8	1	2	1	1
MACON	31	40	0	9	18	6
MARBLE HILL	6	6	3	3	3	0
MARSHALL	6	8	0	8	8	1
MARSHFIELD	19	17	4	9	4	4
MARYVILLE	113	112	7	68	.	1
MAYSVILLE	64	59	2	37	38	1
MEXICO	22	21	1	24	22	1
MILAN	56	69	5	25	45	2
MOBERLY	22	23	0	12	13	5

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =MISSOURI

COUNTY OFFI[illegible]	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
MT. VERNON	11	12	0	9	9	4
NEOSHO	6	22	3	5	.	10
NEVADA	31	30	6	14	.	2
NEW LONDON	29	28	0	12	13	5
NEW MADRID	55	47	8	65	59	7
OSCEOLA	14	10	8	5	10	2
PARIS	6	18	2	9	21	5
PERRYVILLE	20	16	5	7	.	0
POPLAR BLUFF	49	47	4	21	25	1
PRINCETON	33	32	7	13	22	7
RICHMOND	13	16	4	12	17	2
ROCKPORT	43	32	26	57	66	11
ROLLA	6	6	4	9	5	4
SEDALIA	63	49	12	22	28	6
SIKESTON	3	9	0	2	1	0
SPRINGFIELD	1	1	0	1	2	1
ST. JOSEPH	74	75	1	36	49	3
STEELVILLE	6	6	1	5	.	0
TRENTON	2	4	1	19	13	2
TROY	10	9	2	2	1	0
UNION	2	2	2	3	3	1
UNIONVILLE	52	49	7	4	8	2
WARRENSBURG	39	42	3	17	15	0
WEST PLAINS	12	8	5	5	7	1
STNAME	2005	2059	252	1074	1034	221

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 37
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =MONTANA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BAKER	37	43	7	42	39	2
BILLINGS	25	23	2	15	33	2
BOZEMAN	33	53	13	31	61	9
CHOTEAU	24	23	13	39	31	7
CIRCLE	14	5	9	12	15	1
CUT BANK	30	34	10	31	27	11
DEER LODGE	15	.	13	16	14	7
DILLON	49	49	14	27	48	9
FORSYTH	57	42	3	19	32	3
GLASGOW	45	52	2	27	35	5
GLENDIVE	16	12	6	12	.	3
GREAT FALLS	34	25	14	21	30	9
HAMILTON	6	4	1	4	5	1
HARDIN	14	34	5	37	37	3
HAVRE	32	50	3	52	95	10
HELENA	5	9	0	5	8	1
KALISPELL	19	23	8	14	19	9
LEWISTOWN	10	21	5	9	25	4
MALTA	7	6	3	15	10	2
MILES CITY	7	7	4	13	12	3
MISSOULA	3	2	2	1	.	2
PLENTYWOOD	3	5	0	13	8	4
POLSON	9	10	0	20	16	11
RED LODGE	41	40	10	32	.	8
SHELBY	10	15	5	21	.	3
SIDNEY	23	17	10	12	0	9
WHITEHALL	1	1	0	1	0	0
WOLF POINT	16	19	3	11	25	4
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STNAME	561	559	165	552	625	142

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 36
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

----------STATE =NEBRASKA----------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBION	54	45	8	69	84	4
ALLIANCE	32	.	0	35	.	0
BEATRICE	64	74	4	43	54	13
BLOOMFIELD	57	63	13	35	86	30
BROKEN BOW	25	23	4	34	41	14
CHADRON	59	57	10	42	31	10
CLAY CENTER	24	37	3	65	92	15
COLUMBUS	122	125	0	83	121	12
DAVID CITY	35	96	5	30	69	30
FAIRBURY	57	60	3	33	49	4
FALLS CITY	73	54	7	43	66	12
FREMONT	41	.	9	65	91	29
GRAND ISLAND	62	69	4	43	55	9
HARTINGTON	44	46	2	87	91	16
HOLDREGE	35	31	7	37	34	7
KEARNEY	37	67	4	54	73	2
LEXINGTON	109	102	2	55	89	1
LINCOLN	25	27	3	50	62	12
MC COOK	34	16	0	30	28	6
NEBRASKA CITY	27	49	6	26	62	22
NELIGH	14	15	0	27	30	0
NORFOLK	24	30	0	18	41	1
NORTH PLATTE	37	29	5	47	40	7
O'NEILL	37	23	4	28	24	8
OGALLALA	23	30	0	33	24	3
OMAHA	5	7	1	12	11	12
ORD	32	57	5	59	59	22
PENDER	164	197	8	72	67	14
PONCA	42	30	4	42	41	21
RED CLOUD	13	23	0	32	39	7
SCOTTSBLUFF	54	49	0	41	54	9
SIDNEY	22	23	0	19	13	0
VALENTINE	139	110	24	30	58	18
WAHOO	11	.	1	20	40	0
WAYNE	67	60	23	91	105	38
WEST POINT	.	.	.	121	180	2
YORK	31	43	8	46	46	14
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STNAME	1605	1300	177	1747	2152	424

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   39
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =NEVADA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
EAST ELY	10	9	1	3	1	0
ELKO	6	13	0	10	.	0
FALLON	7	7	0	4	4	1
LAS VEGAS	2	2	0	1	.	0
MINDEN	12	8	2	5	3	1
WINNEMUCCA	15	13	0	10	18	0
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STNAME	52	52	3	33	26	2

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   40
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =NEW HAMPSHIRE

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BERLIN	1	.	1	.	.	.
CLAREMONT	3	4	1	3	4	1
CONCORD	2	2	0	0	1	1
CONWAY	0	.	0	.	.	.
EXETER	6	1	3	0	.	1
KEENE	4	3	3	.	.	.
LACONIA	.	.	.	0	.	0
LANCASTER	2	2	1	1	2	2
MILFORD	0	.	0	.	.	.
WOODSVILLE	16	14	4	2	.	0
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STNAME	34	26	13	6	7	5

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                                    OPERATING LCAN APPLICATION RECEIVED TO DATE AND ON HAND      16:29 MONDAY, APRIL 21, 1986   41
                                                 OPERATING LOANS CLOSED TO DATE
                                            AS OF THE END OF JANUARY BOTH FY85 AND FY86

-------------------------------------------------------------STATE =NEW JERSEY---------------------------------------------------------------

   COUNTY                         APPLICATIONS     APPLICATIONS         LOANS            APPLICATIONS      APPLICATIONS         LOANS
   OFFICE                         RECEIVED         ON HAND              CLOSED           RECEIVED          ON HAND              CLOSED
                                  FY85 TO DATE     JANUARY 31, 1985     FY85 TO DATE     FY86 TO DATE      JANUARY 31, 1986     FY86 TO DATE

   BERLIN                                2                .                   0                 0                 .                   1
   BRIDGETON                            11                9                   1                 7                 9                   0
   CAPE MAY COURT HOUSE                  0                .                   0                 1                 .                   0
   CRANBURY                              1                1                   0                 0                 2                   0
   FLEMINGTON                            3                3                   1                 6                 2                   0
   FREEHOLD                              0                .                   0                 .                 .                   .
   GLASSBORO                             6                4                   0                 3                 4                   0
   HACKETTSTOWN                          2                2                   3                 4                 4                   0
   MAYS LANDING                         10               11                   3                 1                 .                   0
   MOUNT HOLLY                           1                3                   0                 0                 1                   0
   NEWTON                                7                1                   6                 9                 2                   0
   SICKLERVILLE                          5                3                   0                 .                 .                   .
   TOMS RIVER                            2                0                   0                 .                 .                   .
   WOODSTOWN                             9               10                   0                 6                 7                   0
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   STNAME                               57               47                  14                37                31                   1
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OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND      16:29 MONDAY, APRIL 21, 1986   42
                OPERATING LOANS CLOSED TO DATE
          AS OF THE END OF JANUARY BOTH FY85 AND FY86

-------------------------------------------------------STATE =NEW MEXICO--------------------------------------------------------

  COUNTY        APPLICATIONS     APPLICATIONS         LOANS            APPLICATIONS     APPLICATIONS         LOANS
  OFFICE        RECEIVED         ON HAND              CLOSED           RECEIVED         ON HAND              CLOSED
                FY85 TO DATE     JANUARY 31, 1985     FY85 TO DATE     FY86 TO DATE     JANUARY 31, 1986     FY86 TO DATE

ALBUQUERQUE           3                 .                   0                1                 1                    0
AZTEC                 1                 1                   1                2                 1                    3
BERNALILLO            .                 .                   .                4                 2                    1
CARLSBAD              5                 3                   1                4                 3                    1
CLAYTON              24                14                   6               23                22                    3
CLOVIS               44                33                   9               31                33                    4
DEMING                7                 2                   4                1                 1                    0
ESPANOLA              7                 5                   0                3                 2                    1
ESTANCIA             13                 8                   6               10                 8                    0
FORT SUMNER          10                 3                   3                9                 7                    2
GALLUP                7                 5                   0                0                 0                    0
GRANTS                1                 1                   1                7                 2                    0
LAS CRUCES            7                 6                   2               11                 7                    0
LAS VEGAS            11                 3                   4                9                11                    1
LOS LUNAS             1                 2                   0                2                 2                    0
LOVINGTON             1                 7                   2                9                 5                    0
PORTALES             42                31                  21               33                32                    0
PORTALES             42                31                  21               33                32                    0
RATON                 8                 4                   1                1                 2                    1
ROSWELL              13                 3                   5               16                 4                    5
RUIDOSO               1                 2                   1               13                 1                    1
SILVER CITY          13                 3                   0                6                 8                    1
SOCORRO              40                33                  14               10                15                    2
TAOS                  5                 2                   1                1                 0                    0
TUCUMCARI            27                23                   1               15                19                    1
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STNAME              414               239                 104              254               220                   27
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OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   43
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =NEW YORK

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
AUBURN	32	22	1	8	9	3
BALDWINSVILLE	11	3	15	10	2	8
BATAVIA	5	3	0	9	4	9
BATH	22	10	5	9	6	5
BELMONT	17	18	9	6	.	3
BINGHAMTON	9	9	5	4	.	4
CANANDAIGUA	8	11	6	6	10	3
CANTON	50	43	21	30	34	18
COBLESKILL	15	5	1	5	3	0
CORTLAND	5	3	3	2	3	0
DELHI	1	.	4	3	.	2
EAST AURORA	5	5	2	8	8	3
ELIZABETHTOWN	3	0	1	1	.	0
FERNDALE	1	5	2	1	2	5
HORSEHEADS	3	1	0	0	1	0
HUDSON	4	7	4	1	.	0
HUDSON FALLS	37	23	23	19	17	20
ITHACA	4	7	0	5	2	4
JAMESTOWN	16	10	3	11	5	2
JOHNSTOWN	12	17	0	7	11	4
KINGSTON	3	1	5	3	3	0
LEICESTER	3	7	0	0	0	0
LITTLE VALLEY	23	14	15	38	16	27
LOCKPORT	2	2	0	3	5	4
LOWVILLE	12	7	1	3	10	0
LYONS	15	15	6	1	.	3
MALONE	10	.	4	4	4	7
MEDINA	9	14	1	8	9	0
MIDDLETOWN	12	11	2	3	4	9
NEW HARTFORD	23	21	13	20	22	10
NORWICH	19	22	5	7	5	3
ONEIDA	27	13	15	16	14	9
ONEONTA	14	11	5	4	15	2
OWEGO	1	7	2	3	4	0
PENN YAN	24	11	12	25	9	14
PLATTSBURGH	4	5	3	3	3	2
PLEASANT VALLLEY	.	.	.	4	.	1
POUGHKEEPSIE	10	10	1	.	.	.
RIVERHEAD	1	1	0	1	2	1
SARATOGA SPRINGS	2	1	1	5	4	1
SENECA FALLS	9	6	0	2	2	1
SOUTH CAIRO	3	0	0	.	.	.
WARSAW	21	16	11	10	9	8
WATERTOWN	12	1	7	14	3	9
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STNAME	494	391	219	327	260	204

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 44
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

---STATE =NORTH CAROLINA---

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALBEMARLE	4	4	0	6	0	0
ASHEBORO	5	2	0	1	1	0
ASHEVILLE	3	2	0	1	2	0
BEAUFORT	7	4	3	5	5	0
BOLIVIA	11	11	0	0	.	0
BOONE	7	10	1	9	9	3
BREVARD	4	9	1	4	4	1
BURGAW	23	21	1	10	8	0
BURNSVILLE	7	8	3	5	6	0
CARTHAGE	1	0	2	.	.	.
CHARLOTTE	0	0	0	0	0	0
CLINTON	55	71	9	20	22	2
COLUMBIA	23	23	1	3	10	3
CONCORD	10	6	4	2	2	0
DANBURY	31	5	22	12	7	3
DOBSON	19	13	1	6	.	0
ELIZABETH CITY	14	13	2	11	11	0
ELIZABETHTOWN	80	73	7	43	47	1
FAYETTEVILLE	5	5	0	1	1	0
FRANKLIN	4	4	1	5	5	0
GOLDSBORO	31	27	3	12	13	0
GRAHAM	33	29	5	11	11	7
GREENSBORO	2	6	3	7	6	2
GREENVILLE	77	37	20	1	.	0
HALIFAX	47	44	0	5	6	2
HAYESVILLE	11	4	3	2	2	0
HENDERSON	10	4	6	1	1	0
HENDERSONVILLE	4	9	0	3	.	1
HERTFORD	37	34	7	20	22	2
HILLSBOROUGH	11	3	4	3	2	0
JACKSON	24	21	12	5	7	4
JACKSONVILLE	36	37	0	4	4	0
JEFFERSON	25	11	13	3	.	2
KENANSVILLE	52	47	9	12	14	0
KINSTON	43	29	7	8	9	0
LAURINBURG	1	1	1	1	.	0
LENOIR	2	0	2	2	1	3
LEXINGTON	1	.	1	.	.	.
LILLINGTON	9	11	0	1	2	0
LINCOLNTON	0	.	0	0	0	1
LOUISBURG	4	5	0	0	.	0
LUMBERTON	45	28	1	15	9	0
MARION	1	6	0	0	.	0
MARSHALL	46	32	8	19	18	10
MONROE	24	25	6	3	3	0
MORGANTON	2	2	1	0	.	2
MURPHY	.	.	.	0	.	0
NASHVILLE	44	40	4	19	19	2
NEW BERN	22	22	0	7	6	0
NEWTON	3	2	1	0	1	2

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 45
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

------------------------------STATE =NORTH CAROLINA------------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
OXFORD	25	25	3	6	6	0
PITTSBORO	6	5	2	0	0	0
PLYMOUTH	0	6	2	13	12	1
RAEFORD	1	.	0	.	.	.
RALEIGH	24	23	0	22	12	1
REIDSVILLE	11	10	0	13	11	0
ROCKINGHAM	0	0	0	3	4	0
ROXBORO	26	25	2	17	18	2
RUTHERFORDTON	6	5	1	5	4	0
SALISBURY	12	9	5	5	4	2
SANFORD	2	1	1	0	2	0
SHELBY	3	0	0	0	1	0
SMITHFIELD	27	23	2	10	11	1
SNOW HILL	33	24	9	8	10	0
STATESVILLE	12	5	7	3	2	3
SWAN QUARTER	13	13	0	3	4	0
SYLVA	3	3	0	.	.	.
TARBORO	51	59	4	16	15	0
TRENTON	27	16	9	2	.	0
TROY	2	2	1	2	2	1
WADESBORO	7	9	1	1	.	3
WARRENTON	17	19	0	0	0	0
WASHINGTON	4	21	0	6	5	0
WAYNESVILLE	4	1	2	6	4	0
WHITEVILLE	45	27	8	24	25	1
WILKESBORO	4	0	1	9	3	2
WILLIAMSTON	36	35	0	10	12	0
WILMINGTON	0	.	0	0	.	0
WILSON	73	67	6	47	43	0
WINDSOR	66	54	12	41	52	2
WINSTON-SALEM	7	3	4	2	3	0
WINTON	19	15	6	10	8	0
YADKINVILLE	14	10	4	10	10	2
YANCEYVILLE	75	39	47	36	.	0
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STNAME	1649	1364	314	643	579	74

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 46
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =NORTH DAKOTA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ASHLEY	44	44	11	13	.	8
BISMARCK	47	39	4	31	30	2
BOTTINEAU	10	6	0	8	25	7
BOWBELLS	15	11	0	13	.	10
BOWMAN	54	34	17	35	35	8
CANDO	19	40	9	43	40	7
CARRINGTON	42	49	2	31	42	6
CARSON	23	36	4	43	42	12
CAVALIER	43	52	5	40	34	4
COOPERSTOWN	21	52	10	21	31	2
CROSBY	63	.	17	35	35	5
DEVILS LAKE	35	42	4	4	.	0
DICKINSON	40	.	11	27	33	9
ELLENDALE	21	32	5	55	57	6
FESSENDEN	19	21	0	24	24	1
FORMAN	32	31	8	23	27	5
FORT YATES	29	45	55	42	33	35
GRAND FORKS	59	75	2	39	61	0
HAZEN	35	27	15	39	24	3
HETTINGER	14	11	5	14	15	0
HILLSBORO	44	67	6	70	.	6
JAMESTOWN	[illegible]	133	10	40	57	4
KILLDEER	31	34	4	35	46	5
LAKOTA	29	35	3	21	34	1
LAMOURE	74	72	13	60	65	4
LANGDON	77	50	17	49	52	1
LINTON	54	50	12	22	31	1
MANDAN	135	132	23	54	58	15
MCCLUSKY	43	25	13	35	45	14
MEDORA	32	29	13	16	24	3
MINNEWAUKAN	20	32	2	19	28	1
MINOT	50	54	9	45	48	11
MOTT	51	43	20	52	44	14
NAPOLEON	32	23	4	14	29	2
NEW ROCKFORD	20	21	1	19	24	2
NEW TOWN	40	44	20	48	26	14
PARK RIVER	76	51	6	65	77	2
ROLLA	27	39	0	16	24	4
RUGBY	44	54	4	26	.	12
STANLEY	41	43	6	16	30	2
STEELE	37	50	4	29	38	8
TOWNER	74	35	19	52	69	16
VALLEY CITY	133	117	19	91	100	4
WAHPETON	53	73	2	17	.	2
WASHBURN	59	25	15	41	42	11
WATFORD CITY	13	12	3	27	24	5
WEST FARGO	43	86	3	84	109	4
WILLISTON	42	33	7	18	20	5
STNAME	2233	2196	445	1666	1732	303

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY 30TH FY85 AND FY86

STATE =OHIO

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BELLEFONTAINE	37	39	5	8	.	1
BOWLING GREEN	14	13	1	2	10	0
CAMBRIDGE	4	7	2	2	.	0
CARROLLTON	29	27	12	8	14	4
CIRCLEVILLE	44	42	4	61	57	2
DEFIANCE	23	27	2	13	19	0
EATON	1	12	4	8	11	1
FINDLAY	31	37	0	31	.	1
GALLIPOLIS	19	12	5	11	8	4
GEORGETOWN	29	35	1	25	34	0
GREENVILLE	33	43	1	5	14	0
HARTVILLE	5	23	6	8	11	4
HILLSBORO	22	23	0	0	.	0
JEFFERSON	19	17	3	6	.	2
LANCASTER	42	52	1	37	56	2
LISBON	[illegible]	17	3	5	5	0
LONDON	42	46	14	2	34	2
MARIETTA	16	21	1	5	5	0
MEDINA	[illegible]	13	4	7	12	3
MT. GILEAD	31	35	1	39	45	1
MT. VERNON	31	44	5	62	53	3
NEW PHILADELPHIA	[illegible]	6	4	5	3	7
NORWALK	5	24	0	20	22	8
POMEROY	[illegible]	3	4	12	5	1
PORTSMOUTH	3	7	1	3	.	0
SIDNEY	12	4	0	7	3	0
SPRINGFIELD	.	.	.	51	32	1
TIFFIN	11	37	0	13	15	1
WAPAKONETA	26	33	4	21	.	1
WEST UNION	22	24	2	27	26	3
WILMINGTON	77	52	2	64	79	1
WOODSFIELD	7	4	7	8	2	9
WOOSTER	19	17	5	18	14	9
XENIA	74	53	6	60	77	4
ZANESVILLE	0	3	0	1	2	0
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STNAME	77[illegible]	905	110	657	668	75

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:34 MONDAY, APRIL 21, 1986 48
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

-----STATE =OKLAHOMA-----

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ADA	13	21	12	10	14	6
ALTUS	15	21	15	13	.	17
ALVA	21	11	9	2	16	8
ANADARKO	34	37	13	25	27	18
ANTLERS	47	32	12	12	11	4
ARDMORE	14	11	11	11	6	5
ARNETT	10	8	8	4	.	7
ATOKA	14	16	5	13	9	5
BEAVER	15	15	2	7	5	5
BOISE CITY	61	.	11	34	35	4
CHANDLER	3	5	9	5	8	1
CHEROKEE	17	20	13	16	10	11
CHEYENNE	14	9	2	4	5	1
CHICKASHA	17	42	15	9	20	1
CLINTON	4	5	2	12	36	3
COALGATE	8	1	10	3	2	1
CORDELL	17	1	17	15	18	7
DUNCAN	21	31	11	13	19	1
DURANT	32	37	25	22	.	11
ENID	25	22	7	74	41	42
FREDERICK	27	45	26	24	21	15
GUTHRIE	16	17	8	9	11	4
GUYMON	27	23	16	15	19	7
HOBART	17	17	17	13	18	22
HOLDENVILLE	7	.	8	4	6	5
HOLLIS	13	30	17	35	32	8
HUGO	24	28	27	19	13	13
IDABEL	24	15	12	16	.	2
JAY	23	24	9	6	17	1
KINGFISHER	20	25	31	28	40	14
LAWTON	15	20	11	17	23	15
MADILL	13	18	8	13	15	1
MANGUM	6	2	6	7	6	4
MARIETTA	5	7	7	2	.	6
MCALESTER	8	10	2	3	1	4
MIAMI	12	9	16	9	10	11
MUSKOGEE	17	16	2	15	17	4
NEWKIRK	11	29	8	16	18	9
NOWATA	35	25	3	10	14	8
OKEMAH	32	34	8	21	27	8
OKLAHOMA CITY	1	14	0	1	1	0
OKMULGEE	15	24	4	7	10	6
PAULS VALLEY	13	10	2	8	.	3
PAWHUSKA	7	3	2	5	3	3
PAWNEE	14	10	7	7	8	4
PERRY	23	26	21	20	15	31
POTEAU	6	17	3	5	13	3
PRYOR	13	12	3	4	3	2
PURCELL	16	5	10	12	10	2
SALLISAW	5	4	4	2	1	1

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 49
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =OKLAHOMA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
SAPULPA	7	9	3	3	5	0
SAYRE	33	36	10	16	15	12
SHAWNEE	10	11	4	2	2	2
STIGLER	11	15	2	10	6	6
STILLWATER	19	36	13	5	13	6
STILLWELL	2	1	0	*	*	*
SULPHUR	15	11	12	9	7	8
TAHLEQUAH	5	1	1	5	7	3
TALOGA	13	8	14	16	*	9
TISHOMINGO	25	22	5	13	10	2
VINITA	12	12	2	7	9	2
WAGONER	13	14	2	4	3	4
WALTERS	12	27	27	16	*	24
WATONGA	15	8	15	24	24	11
WAURIKA	23	25	18	14	*	19
WEWOKA	13	12	1	3	9	2
WOODWARD	7	6	15	10	8	9
STNAME	1140	1127	651	533	743	495

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                  OPERATING LOAN APPLICATIONS RECEIVED TO DATE AND ON HAND       16:29 MONDAY, APRIL 21, 1986   51
                               OPERATING LOANS CLOSED TO DATE
                          AS OF THE END OF JANUARY BOTH FY85 AND FY86

---------------------------------------------------------------STATE=OREGON-----------------------------------------------------------------

COUNTY           APPLICATIONS      APPLICATIONS          LOANS            APPLICATIONS      APPLICATIONS          LOANS
OFFICE           RECEIVED          ON HAND               CLOSED           RECEIVED          ON HAND               CLOSED
                 FY85 TO DATE      JANUARY 31, 1985      FY85 TO DATE     FY86 TO DATE      JANUARY 31, 1986      FY86 TO DATE

ALBANY             [illegible]       21                    [illegible]      35                23                     4
BAKER              17                [illegible]           [illegible]      21                 9                    13
COQUILLE           [illegible]       [illegible]           5                 7                 3                     5
DALLAS             13                 4                    6                11                10                     1
EUGENE             1[illegible]      10                    1                10                10                     7
HILLSBORO          17                10                    5                 6                 6                     3
KLAMATH FALLS      25                14                    3                13                17                     2
LA GRANDE          [illegible]       [illegible]           2                 9                 5                     1
MADRAS             17                14                    4                13                10                     1
MCMINNVILLE         4                 7                    3                 7                 6                     5
MEDFORD             7                 4                    7                 2                 1                     5
ONTARIO            14                43                    3                51                34                    11
OREGON CITY        1[illegible]      [illegible]           5                11                 9                     1
PENDLETON          [illegible]       [illegible]           7                 7                 6                     4
REDMOND             1                [illegible]           0                 3                 [illegible]           0
ROSEBURG            3                 4                    3                 8                 5                     9
SALEM              43                49                    4                42                41                    11
ST. HELENS         14                 7                   13                 4                 3                     1
THE DALLES         21                [illegible]           [illegible]       6                10                     5
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OREGON             [illegible]       [illegible]           64              272               208                    92
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OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 53
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

---STATE =PENNSYLVANIA---

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALLENTOWN	7	5	2	6	6	0
BEDFORD	7	9	2	6	9	2
BELLEFONTE	13	4	1	4	5	1
BLOOMSBURG	27	15	6	14	10	9
BROOKVILLE	[illegible]	4	0	7	3	3
BUTLER	5	2	0	2	.	1
CARLISLE	11	3	2	8	3	0
CHAMBERSBURG	7	2	5	5	7	2
CLEARFIELD	3	3	0	0	1	1
CLEONA	22	14	1	6	.	2
DOYLESTOWN	11	3	2	14	7	4
EBENSBURG	1	3	0	2	1	2
FRANKLIN	7	5	0	1	.	0
GETTYSBURG	11	14	6	7	8	5
GREENSBURG	13	11	2	9	6	4
HOLLIDAYSBURG	4	3	4	10	4	3
HONESDALE	4	1	8	8	3	4
HUNTINGDON	21	12	10	9	10	0
KITTANNING	3	2	3	5	1	1
LANCASTER	4	4	3	9	2	4
LEESPORT	1	.	1	5	2	3
LEWISBURG	1	3	4	1	.	0
MEADVILLE	12	10	5	13	17	11
MERCER	11	5	9	8	8	4
MIFFLINTOWN	4	3	5	5	8	6
MONTROSE	8	2	2	6	5	6
NANTICOKE	3	0	6	.	.	.
SMETHPORT	10	4	3	5	3	1
SOMERSET	11	13	7	7	3	8
TOWANDA	31	22	27	21	.	21
UNIONTOWN	13	3	4	8	4	10
WASHINGTON	1	.	2	7	0	0
WATERFORD	7	.	5	.	.	.
WELLSBORO	41	.	24	55	35	27
WEST CHESTER	[illegible]	5	2	4	4	0
WILLIAMSPORT	3	.	3	15	14	2
YORK	4	11	1	5	4	1
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STNAME	322	210	105	244	198	149

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 15:29 MONDAY, APRIL 21, 1986 54
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY 30TH FY85 AND FY86

------------------------------------STATE PUERTO RICO------------------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ADJUNTAS	15	11	4	2	15	0
AGUADILLA	9	10	1	7	9	3
BARRANQUITAS	11	.		11	.	6
BAYAMON	8	1	1	1	1	0
CAGUAS	5	1	3	3	.	0
CAMUY	7	11	4	2	.	0
CIALES	27	35	3	20	12	1
COAMO	3	.	2	5	11	10
CORDZAL	17	27	14	10	19	4
FAJARDO	11	5	2	1	0	3
GUAYAMA	12	16	3	3	12	4
HUMACAO	9	13	4	2	10	1
JAYUYA	14	17	3	6	3	4
JUANA DIAZ	.	.	1	.	.	.
LARES	2	13	7	7	30	7
MAYAGUEZ	4	4	5	5	4	1
MOROVIS	1	3	6	6	6	1
RIO GRANDE	1	1	0	2	2	0
SAN GERMAN	.	.	0	2	2	0
SAN LORENZO	1	7	2	2	7	1
SAN SEBASTIAN	4	7	6	15	9	20
UTUADO	17	15	5	15	.	4
YAUCO	14	14	3	2	.	3
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STWAKE	142	226	63	123	161	[illegible]

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OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND      16:29 MONDAY, APRIL 21, 1986   55
                    OPERATING LOANS CLOSED TO DATE
               AS OF THE END OF JANUARY BOTH FY85 AND FY86

---------------------------------------------------------STATE =RHODE ISLAND--------------------------------------------------------

       COUNTY          APPLICATIONS    APPLICATIONS         LOANS            APPLICATIONS    APPLICATIONS          LOANS
       OFFICE          RECEIVED        ON HAND              CLOSED           RECEIVED        ON HAND               CLOSED
                       FY85 TO DATE    JANUARY 31, 1985     FY85 TO DATE     FY86 TO DATE    JANUARY 31, 1986      FY86 TO DATE

       GLENDALE              6               4                   2                1               2                    0
       WAKEFIELD             0               0                   0                .               .                    .
       WAKEFIELD             0               0                   0                .               .                    .
       WEST WARWICK          4               .                   0                1               .                    0
       ------------         --               -                   -                -               -                    -
       STNAME               10               4                   2                2               2                    0
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OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   56
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

------------------------------STATE =SOUTH CAROLINA------------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY86 TO DATE
ABBEVILLE	[illegible]	[illegible]	0	0	.	0
AIKEN	[illegible]	[illegible]	2	2	5	1
ALLENDALE	4	[illegible]	0	2	2	0
ANDERSON	1	.	1	1	.	1
ANDREWS	11	.	0	.	.	.
BAMBERG	1	14	4	11	.	3
BARNWELL	13	12	3	5	10	0
BENNETTSVILLE	17	13	7	17	[illegible]	6
BISHOPVILLE	[illegible]	42	15	29	22	4
CAMDEN	7	7	0	2	2	0
CHARLESTON	[illegible]	5	2	8	3	2
CHESTER	[illegible]	1	0	4	.	1
CHESTERFIELD	[illegible]	8	0	4	.	0
COLUMBIA	9	.	0	1	0	0
CONWAY	[illegible]	56	0	49	53	0
DARLINGTON	37	[illegible]	4	23	.	0
DILLON	[illegible]	19	5	19	20	0
EDGEFIELD	1	[illegible]	1	3	1	2
FLORENCE	[illegible]	34	1	25	34	0
GAFFNEY	4	7	2	1	2	2
GEORGETOWN	[illegible]	7	0	2	.	0
GREENVILLE	[illegible]	1	1	[illegible]	1	1
GREENWOOD	[illegible]	0	0	0	1	0
HAMPTON	[illegible]	7	0	2	0	0
KINGSTREE	27	21	[illegible]	45	59	1
LANCASTER	[illegible]	.	0	2	1	0
LAURENS	1	.	1	5	3	1
LEXINGTON	[illegible]	.	0	1	3	1
MANNING	[illegible]	47	4	29	30	[illegible]
MCCORMICK	[illegible]	.	0	1	0	0
MONCKS CORNER	3	[illegible]	0	.	.	.
MULLINS	27	39	2	13	22	0
NEWBERRY	4	[illegible]	4	5	2	4
ORANGEBURG	[illegible]	16	2	[illegible]	24	2
PICKENS	1	1	0	.	.	.
RIDGELAND	.	.	.	0	1	0
SALUDA	[illegible]	15	7	17	15	3
SPARTANBURG	[illegible]	3	3	10	5	10
ST. GEORGE	[illegible]	4	0	1	0	0
ST. MATTHEWS	5	.	0	3	5	0
SUMTER	[illegible]	25	5	31	23	5
UNION	.	.	.	1	.	0
WALHALLA	[illegible]	2	5	3	2	4
WALTERBORO	42	15	4	14	6	3
WINNSBORO	[illegible]	.	0	.	.	.
YORK	[illegible]	4	2	0	.	0
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STATE	537	535	101	417	375	62

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 57
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =SOUTH DAKOTA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ABERDEEN	41	47	13	8	24	1
BELLE FOURCHE	19	12	3	4	15	1
BISON	19	19	2	16	23	3
BRITTON	22	20	0	13	12	3
BROOKINGS	24	*	0	6	7	5
BURKE	17	14	3	9	6	0
CHAMBERLAIN	33	41	5	43	55	19
CLARK	19	14	9	13	15	10
CLEAR LAKE	51	41	13	28	32	5
DE SMET	40	38	10	30	32	9
ELK POINT	52	45	0	28	37	6
FAULKTON	9	9	1	5	9	6
FLANDREAU	14	22	0	34	34	6
GETTYSBURG	40	25	10	21	20	11
HOT SPRINGS	25	71	11	10	36	3
HURON	36	31	12	19	12	4
IPSWICH	15	14	3	9	14	7
LAKE ANDES	31	29	7	31	18	8
LEOLA	19	26	4	9	22	4
MADISON	37	42	4	27	25	3
MARTIN	34	29	13	15	20	4
MCINTOSH	20	*	9	8	*	1
MILBANK	27	27	6	18	13	6
MILLER	43	36	12	27	35	13
MITCHELL	21	*	1	25	29	5
PARKSTON	35	31	9	33	40	9
PHILIP	13	14	5	13	22	0
PIERRE	5	3	0	7	6	1
PLANKINTON	45	40	5	21	33	2
RAPID CITY	4	5	5	5	4	3
REDFIELD	26	43	5	34	45	6
SALEM	19	104	15	54	66	12
SELBY	21	15	11	5	*	4
SIOUX FALLS	95	99	9	36	61	3
SISSETON	45	57	19	37	19	5
STURGIS	14	8	6	8	9	3
TIMBER LAKE	19	33	14	42	25	3
VERMILLION	23	33	6	21	24	9
WATERTOWN	72	51	3	19	45	8
WEBSTER	23	42	7	12	37	6
WINNER	41	50	1	15	16	3
YANKTON	21	29	2	35	39	6
STNAME	1277	1211	274	336	1036	235

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:24 MONDAY, APRIL 21, 1986 58
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =TENNESSEE

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALAMO	25	23	2	26	27	3
ASHLAND CITY	.	.	.	0	.	0
ATHENS	2	8	4	3	6	1
BLOUNTVILLE	1	0	0	0	.	0
BOLIVAR	11	13	0	6	3	0
BROWNSVILLE	71	46	2	30	32	5
BYRDSTOWN	0	1	0	1	1	0
CAMDEN	11	13	2	11	18	0
CAMDEN	11	13	2	11	18	0
CARTHAGE	35	24	20	8	4	0
CELINA	7	6	1	1	3	1
CENTERVILLE	0	0	0	0	.	0
CLARKSVILLE	0	5	0	2	2	0
CLEVELAND	4	10	5	6	12	1
COLUMBIA	7	0	0	3	3	1
COOKEVILLE	0	4	2	.	.	.
COVINGTON	77	.	4	95	84	6
CROSSVILLE	1	1	1	0	0	0
DANDRIDGE	1	7	2	1	.	1
DAYTON	0	6	2	4	5	3
DECATURVILLE	0	9	3	5	4	1
DICKSON	1	.	2	2	0	0
DOVER	13	12	4	10	9	1
DRESDEN	11	32	0	28	30	0
DUNLAP	8	12	7	5	7	1
DYERSBURG	48	19	1	11	11	0
ELIZABETHTON	17	0	0	0	0	0
FAYETTEVILLE	21	43	1	6	16	1
FRANKLIN	0	7	0	3	2	1
GAINESBORO	10	10	5	8	6	2
GALLATIN	55	14	0	4	6	3
GREENEVILLE	8	5	0	3	4	1
HARTSVILLE	0	10	0	1	3	0
HENDERSON	15	16	1	3	4	0
HUNTINGDON	40	40	1	26	28	2
JACKSBORO	0	2	1	1	1	0
JACKSON	21	36	1	29	32	29
JAMESTOWN	34	11	1	3	3	0
JASPER	.	.	.	4	.	2
JONESBORO	.	3	0	1	1	.
KINGSTON	.	.	.	0	1	0
LAFAYETTE	0	32	1	1	9	0
LAWRENCEBURG	17	4	2	10	11	5
LEWISBURG	0	0	1	4	6	0
LEXINGTON	17	35	5	15	23	3
LIVINGSTON	0	6	0	0	1	0
LOUDON	1	6	0	.	.	.
MADISONVILLE	0	1	0	.	.	.
MANCHESTER	23	28	0	4	6	0
MARYVILLE	1	2	0	.	.	.

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 59
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

--STATE =TENNESSEE--

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
MCMINNVILLE	23	16	4	10	10	1
MEMPHIS	17	16	2	3	4	0
MIDGEVILLE	.	.	.	0	6	0
MOUNTAIN CITY	3	2	0	.	.	.
MURFREESBORO	22	30	3	8	10	4
NEWPORT	1	3	0	0	1	0
PARIS	15	6	0	10	10	0
PULASKI	12	10	4	3	8	0
RIPLEY	15	15	0	22	18	1
ROGERSVILLE	7	7	5	2	6	1
RUTLEDGE	2	7	2	0	2	1
SAVANNAH	5	5	0	3	3	0
SELMER	19	20	1	8	14	1
SEVIERVILLE	5	5	0	0	0	0
SHELBYVILLE	11	12	1	7	6	1
SMITHVILLE	12	13	11	7	5	5
SNEEDVILLE	23	19	7	4	5	3
SOMERVILLE	33	35	2	40	42	1
SPARTA	5	5	2	8	4	3
SPENCER	1	.	1	4	1	2
SPRINGFIELD	3	15	0	10	16	1
TAZEWELL	5	7	1	1	3	2
TRACY CITY	2	2	0	1	1	0
TRENTON	43	47	4	32	38	0
UNION CITY	64	58	3	33	30	1
WARTBURG	3	0	1	0	0	0
WAVERLY	3	8	0	6	4	0
WAYNESBORO	1	1	1	3	4	0
WINCHESTER	15	15	1	8	9	0
WOODBURY	9	15	1	5	9	0
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STATE	917	391	140	635	710	138

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 27, 1987   51
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY86 AND FY87

--STATE [illegible]--

COUNTY OFFICE	APPLICATIONS RECEIVED FY87 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1987	LOANS CLOSED FY87 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ABILENE	44	[illegible]	14	15	13	8
ALICE	[illegible]	3	8	14	5	11
AMARILLO	21	[illegible]	4	11	24	3
ANGLETON	21	1	4	14	10	4
ANSON	4	14	[illegible]	73	82	16
ASPERMONT	12	7	10	29	14	18
ATHENS	7	4	0	0	1	0
BASTROP	[illegible]	[illegible]	0	1	1	3
BAY CITY	[illegible]	12	11	4	4	0
BEAUMONT	1	11	3	4	11	0
BEEVILLE	4	1	4	3	3	4
BELLVILLE	12	4	27	30	9	24
BIG SPRING	4	23	4	92	95	1
BONHAM	[illegible]	7	34	15	10	9
BOWIE	4	5	5	4	4	4
BRADY	7	7	3	5	3	4
BROWNFIELD	14	4	8	68	73	12
BROWNWOOD	4	1	4	8	1	10
BRYAN	5	4	3	4	2	3
BURNET	[illegible]	4	2	0	1	0
CALDWELL	12	1	7	8	9	1
CAMERON	11	3	14	10	3	6
CANTON	[illegible]	1	1	2	2	1
CARRIZO SPRINGS	4	3	0	3	1	0
CENTER	17	1	5	6	8	4
CHILDRESS	14	16	11	17	12	23
CLARENDON	37	[illegible]	4	23	16	10
CLARKSVILLE	1	1	4	10	4	5
CLEBURNE	4	3	11	13	2	11
COLORADO CITY	[illegible]	2	11	4	4	4
COMANCHE	14	31	10	16	11	9
CONROE	[illegible]	[illegible]	4	12	4	4
COOPER	[illegible]	1	4	26	15	20
CORSICANA	[illegible]	9	27	72	4	70
CROCKETT	4	4	4	9	4	1
[illegible]	8	7	0	4	4	4
CROSBYTON	16	44	3	81	80	1
DALHART	2	43	12	91	40	15
DECATUR	4	11	[illegible]	9	3	3
DENTON	[illegible]	14	8	9	4	3
DIMMITT	47	14	10	51	53	15
EASTLAND	7	5	3	3	9	0
EDEN	1	7	2	17	2	9
EDINBURG	1	[illegible]	0	15	8	4
EDNA	4	11	18	40	13	33
EL PASO	14	22	3	9	7	2
FAIRFIELD	7	3	8	3	4	2
FARWELL	[illegible]	113	24	79	65	16
FLORESVILLE	4	9	9	23	23	11
FLOYDADA	11	74	24	32	136	0

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 62
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =TEXAS

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
FORT STOCKTON	11	11	5	4	4	0
FRANKLIN	10	4	11	23	12	13
FREDERICKSBURG	6	.	3	.	.	.
GAINESVILLE	2	2	0	3	3	5
GATESVILLE	7	5	11	13	1	15
GEORGE WEST	2	3	7	6	3	10
GEORGETOWN	4	7	5	8	10	0
GIDDINGS	5	5	0	.	.	.
GILMER	7	.	2	0	.	0
GONZALES	7	10	4	7	11	7
GREENVILLE	11	5	10	10	4	1
GROESBECK	14	6	10	13	6	11
GROVETON	0	.	0	2	2	0
HAMILTON	11	.	4	3	0	2
HASKELL	3	0	6	96	64	33
HEBBRONVILLE	7	3	0	4	4	3
HENDERSON	2	2	4	2	0	4
HEREFORD	47	11	31	48	59	29
HILLSBORO	12	12	19	9	3	12
HUNTSVILLE	0	1	0	2	.	2
JASPER	6	2	12	4	.	2
KARNES CITY	9	3	2	1	1	0
KAUFMAN	2	2	3	5	.	4
KNOX CITY	43	27	59	53	26	53
LAMESA	47	45	13	139	144	24
LEVELLAND	4	6	9	132	155	3
LIBERTY	33	52	9	45	45	8
LITTLEFIELD	341	134	153	230	210	32
LOCKHART	3	1	1	1	0	1
LUBBOCK	39	39	3	95	106	14
LUFKIN	2	1	0	.	.	.
MARLIN	47	43	41	21	8	34
MARSHALL	1	.	2	0	.	1
MCKINNEY	13	7	7	.	.	.
MEMPHIS	43	51	26	31	58	11
MERIDIAN	10	4	14	9	2	14
MORTON	[illegible]	20	0	30	34	0
MT. PLEASANT	7	1	2	0	1	4
MULESHOE	43	53	16	79	37	28
NACOGDOCHES	16	23	7	11	14	4
NEW BOSTON	12	[illegible]	12	5	3	6
PADUCAH	14	[illegible]	7	35	12	1
PALESTINE	3	4	0	2	2	0
PARIS	43	7	44	20	3	19
PEARSALL	14	.	3	21	17	2
PERRYTON	24	17	7	33	5	14
PLAINS	86	32	12	[illegible]	51	11
PLAINVIEW	175	232	15	213	195	22
PLEASANTON	7	2	7	14	14	5
RAYMONDVILLE	12	8	10	10	10	1

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   15:24 MONDAY, APRIL 21, 1966   63
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY65 AND FY66

-----------------------------STATE =TEXAS-----------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY65 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1965	LOANS CLOSED FY65 TO DATE	APPLICATIONS RECEIVED FY66 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1966	LOANS CLOSED FY66 TO DATE
RICHMOND	17	7	15	19	13	3
RIO GRANDE CITY	7	3	4	.	.	.
ROBSTOWN	15	4	24	17	1	45
ROCKWALL	9	4	11	5	1	12
ROTAN	25	17	7	21	27	5
SAN ANGELO	13	14	0	7	4	2
SAN BENITO	14	47	14	35	29	17
SAN DIEGO	4	5	2	.	.	.
SAN SABA	3	4	2	11	3	1
SEGUIN	[illegible]	5	0	2	1	0
SEMINOLE	24	27	5	26	47	7
SEYMOUR	4	4	8	12	7	5
SPUR	24	14	5	21	8	0
STANTON	24	16	7	7	.	0
STEPHENVILLE	13	4	3	11	9	0
STRATFORD	15	15	6	14	17	10
SULPHUR SPRINGS	17	9	14	2	7	4
SWEETWATER	47	35	9	41	52	4
TAHOKA	33	31	2	61	79	1
TULIA	54	39	34	62	54	10
TYLER	14	11	6	2	2	4
UVALDE	[illegible]	4	3	8	.	5
VERNON	43	45	37	39	34	23
VICTORIA	34	12	14	43	17	24
WAXAHACHIE	12	3	16	27	7	27
WEATHERFORD	3	9	2	8	1	3
WELLINGTON	4	3	13	15	5	12
WHARTON	43	25	23	65	71	18
WHEELER	12	16	4	12	11	1
WICHITA FALLS	7	4	5	1	1	1
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STNAME	3142	2234	1393	3207	2739	1101

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND   16:29 MONDAY, APRIL 21, 1986   64
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =UTAH

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BEAVER	10	4	7	6	1	5
CEDAR CITY	6	4	1	7	.	1
COALVILLE	14	8	5	7	3	7
DELTA	15	9	2	5	9	2
LOGAN	9	14	7	8	5	2
MANTI	20	11	9	8	.	7
MIDVALE	1	.	1	0	0	1
MONTICELLO	4	3	0	5	6	1
OGDEN	10	3	3	5	3	2
PANGUITCH	25	13	14	16	25	9
PRICE	11	7	5	12	10	3
PROVO	7	.	0	0	0	0
RICHFIELD	45	57	10	26	53	10
ROOSEVELT	3	7	2	9	.	6
ST. GEORGE	3	2	3	2	3	1
TREMONTON	11	14	3	11	15	5
VERNAL	[illegible]	.	0	3	4	0
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STNAME	214	171	72	130	137	62

OPERATING LOAN APPLICATION RECEIVED TO DATE AND ON HAND 16:29 MONDAY, APRIL 21, 1986 65
OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =VERMONT

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BARRE	[illegible]	[illegible]	3	*	*	*
BRATTLEBORO	[illegible]	1	1	2	2	2
ENOSBURG FALLS	[illegible]	7	5	7	3	3
ESSEX JUNCTION	[illegible]	1	4	5	[illegible]	11
MIDDLEBURY	[illegible]	17	16	34	31	26
MONTPELIER	[illegible]	[illegible]	3	2	1	4
MORRISVILLE	[illegible]	*	9	5	3	4
NEWPORT	33	42	27	21	13	22
NORTH SPRINGFIELD	[illegible]	4	2	0	1	1
RANDOLPH CENTER	[illegible]	[illegible]	3	0	*	0
RUTLAND	[illegible]	[illegible]	2	3	5	1
ST. ALBANS	*	5	7	5	*	5
ST. JOHNSBURY	4	7	6	2	1	6
------------------	---	--	--	--	--	--
STNAME	113	67	88	96	70	85

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OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =VIRGINIA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ABINGDON	10	5	3	8	9	2
APPOMATTOX	2	2	0	6	2	1
ASHLAND	4	3	3	3	3	0
BEDFORD	6	2	0	5	0	1
BOWLING GREEN	2	0	0	3	3	0
CHARLOTTESVILLE	6	1	3	2	2	0
CHASE CITY	12	10	2	13	14	0
CHATHAM	[illegible]	61	24	45	.	9
CHRISTIANSBURG	4	1	2	1	2	1
CLINTWOOD	0	.	0	0	.	0
COURTLAND	14	15	2	13	11	0
CULPEPER	0	.	1	.	.	.
CUMBERLAND	12	11	3	7	12	0
DALEVILLE	0	0	0	3	2	0
DUBLIN	1	1	1	1	2	2
EMPORIA	13	6	1	7	5	0
FARMVILLE	2	1	0	1	1	1
FREDERICKSBURG	1	0	1	0	4	0
GALAX	26	21	9	15	11	3
GATE CITY	4	3	0	3	4	0
GLOUCESTER	0	1	0	0	0	0
HALIFAX	25	26	1	3	3	2
HARRISONBURG	3	5	0	2	4	2
ISLE OF WIGHT	.	.	.	3	5	0
JONESVILLE	[illegible]	17	1	4	11	2
KENBRIDGE	17	16	4	2	3	0
LAWRENCEVILLE	[illegible]	15	1	2	3	1
LEBANON	7	2	4	4	2	1
LEXINGTON	1	.	1	4	0	3
LOUISA	0	0	0	1	.	0
MARION	5	4	2	1	0	2
MARTINSVILLE	5	3	0	2	1	0
MIDLOTHIAN	4	4	1	.	.	.
ONANCOCK	17	7	3	7	5	0
ORANGE	0	.	0	.	.	.
PETERSBURG	14	23	1	10	11	0
ROCKY MOUNT	17	13	7	4	.	5
RUSTBURG	[illegible]	17	3	2	3	1
SMITHFIELD	3	5	0	.	.	.
STAUNTON	7	12	1	1	0	0
STUART	24	13	4	10	7	2
SUFFOLK	0	5	0	0	.	0
TAPPAHANNOCK	11	12	1	0	0	0
TAZEWELL	11	5	0	0	1	0
WARSAW	4	4	2	7	10	0
WAVERLY	10	10	0	6	5	0
WILLIAMSBURG	1	1	0	2	.	0
WINCHESTER	1	3	1	3	2	0
WOODSTOCK	1	0	0	2	0	0
WYTHEVILLE	7	1	6	10	5	7

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OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

---------------------------STATE =VIRGINIA---------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
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STATE	449	370	104	228	166	48

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OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

---------------------------STATE =WASHINGTON---------------------------

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
AUBURN	7	1	2	1	.	1
CHEHALIS	14	11	10	8	7	11
COLVILLE	25	16	7	15	14	3
ELLENSBURG	24	22	10	29	26	7
EPHRATA	57	34	1	43	51	2
LAKE STEVENS	4	5	0	2	3	0
LYNDEN	11	9	19	18	8	16
MONTESANO	10	11	0	5	7	3
MT. VERNON	5	5	1	5	3	0
OKANOGAN	53	43	11	61	.	13
OLYMPIA	2	.	2	0	.	1
OTHELLO	45	32	8	53	43	11
PASCO	16	12	1	11	14	6
PORT ORCHARD	.	.	.	1	1	0
PUYALLUP	7	1	1	3	2	0
SPOKANE	25	4	10	33	.	12
VANCOUVER	14	14	9	11	.	1
WENATCHEE	51	20	27	43	31	14
YAKIMA	43	35	3	30	43	10
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STATE	397	279	122	393	253	111

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OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =WEST VIRGINIA

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
BECKLEY	3	3	0	1	.	1
CHARLESTON	1	0	2	0	0	0
ELKINS	3	3	0	5	5	2
FAIRMONT	5	3	6	2	5	4
FAYETTEVILLE	4	4	3	3	4	2
GRANTSVILLE	4	5	2	3	4	2
HAMLIN	2	3	3	2	6	1
HARRISVILLE	10	12	2	4	8	2
KINGWOOD	5	11	9	5	4	3
LEWISBURG	7	18	2	4	12	0
LOGAN	0	.	0	0	.	0
MARTINSBURG	15	7	2	3	2	1
MORGANTOWN	3	5	1	0	.	4
MOUNDSVILLE	2	6	2	6	6	3
MT. CLARE	25	17	13	28	18	21
NEW MARTINSVILLE	3	11	2	0	3	0
PARKERSBURG	1	1	0	2	0	2
PETERSBURG	21	30	4	.	.	.
PHILIPPI	3	0	2	.	.	.
PRINCETON	0	0	0	2	1	0
PT. PLEASANT	13	12	4	4	6	4
RIPLEY	6	5	7	8	3	5
ROMNEY	3	3	1	1	2	0
SOUTH OF PHILLIPPI	.	4.	.	1	2	0
SPENCER	2	.	2	3	.	3
SUMMERSVILLE	1	1	0	1	4	1
UNION	31	34	9	10	20	1
WAYNE	0	0	0	2	3	0
WELLSBURG	2	6	1	0	0	1
WESTON	2	2	1	2	.	4
WINFIELD	5	5	2	0	0	0
STNAME	189	208	82	102	118	67

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AS OF THE END OF JANUARY 30TH FY85 AND FY86

STATE =WISCONSIN

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
ALMA	[illegible]	[illegible]	0	18	45	10
ANTIGO	12	[illegible]	6	8	18	2
APPLETON	74	47	15	49	116	12
ASHLAND	[illegible]	21	13	11	22	2
BALDWIN	[illegible]	79	30	41	72	26
BALSAM LAKE	[illegible]	[illegible]	20	41	55	24
BARABOO	27	[illegible]	5	62	75	12
BARRON	38	108	4	37	79	17
BLACK RIVER FALLS	25	47	21	36	43	10
CHIPPEWA FALLS	31	49	3	50	73	2
DARLINGTON	[illegible]	46	3	30	73	10
DODGEVILLE	[illegible]	75	9	35	75	19
ELKHORN	21	27	7	3	.	0
ELLSWORTH	21	4	5	40	49	9
FOND DU LAC	133	217	12	65	120	25
GREEN BAY	45	[illegible]	10	12	25	14
HAYWARD	21	32	3	1	0	2
JANESVILLE	52	73	0	51	61	0
JEFFERSON	[illegible]	29	9	26	29	5
JUNEAU	45	159	3	58	62	10
KEWAUNEE	[illegible]	65	4	23	31	9
LA CROSSE	17	[illegible]	2	9	13	7
LADYSMITH	25	75	6	25	47	10
LANCASTER	45	167	8	31	157	20
MADISON	.	.	1	21	.	10
MANITOWOC	29	65	4	15	53	12
MARINETTE	[illegible]	[illegible]	21	27	32	2
MAUSTON	[illegible]	21	37	37	29	10
MEDFORD	[illegible]	.	3	17	19	10
MENOMONIE	[illegible]	[illegible]	5	18	39	12
MONROE	[illegible]	47	17	22	.	14
NEILLSVILLE	[illegible]	172	23	17	.	0
OCONTO	[illegible]	47	6	51	73	4
PHILLIPS	[illegible]	12	2	4	5	1
PORTAGE	[illegible]	41	10	31	36	12
PRAIRIE DU CHIEN	[illegible]	105	29	33	84	15
RHINELANDER	.	.	.	1	0	0
RICHLAND CENTER	14	17	11	23	.	8
SHAWANO	[illegible]	74	15	46	55	13
SHEBOYGAN FALLS	57	27	9	15	21	9
SPARTA	[illegible]	113	12	28	70	11
SPOONER	21	[illegible]	2	5	17	4
VIROQUA	[illegible]	155	19	98	144	21
WATERFORD	[illegible]	7	2	3	6	0
WAUPACA	31	[illegible]	12	35	37	12
WAUSAU	37	[illegible]	21	41	104	14
WAUTOMA	35	[illegible]	6	29	49	18
WEST BEND	[illegible]	[illegible]	0	6	.	2
WHITEHALL	[illegible]	77	13	73	83	5
WISCONSIN RAPIDS	[illegible]	34	14	26	55	5

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OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =WISCONSIN

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
STWATE	1374	3250	494	1486	2437	481

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OPERATING LOANS CLOSED TO DATE
AS OF THE END OF JANUARY BOTH FY85 AND FY86

STATE =WYOMING

COUNTY OFFICE	APPLICATIONS RECEIVED FY85 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1985	LOANS CLOSED FY85 TO DATE	APPLICATIONS RECEIVED FY86 TO DATE	APPLICATIONS ON HAND JANUARY 31, 1986	LOANS CLOSED FY86 TO DATE
AFTON	7	7	2	1	2	1
BASIN	11	29	3	10	16	2
CHEYENNE	1	*	0	4	4	3
DOUGLAS	13	17	*	*	3	0
EVANSTON	7	*	3	7	*	0
GILLETTE	2	3	2	2	2	0
JACKSON	11	5	2	*	*	*
PINEDALE	*	*	*	0	2	0
POWELL	[illegible]	5	4	7	*	1
RAWLINS	4	3	2	3	1	1
RIVERTON	11	15	5	27	23	10
SHERIDAN	3	1	3	8	4	1
SUNDANCE	15	*	6	12	9	4
TORRINGTON	97	35	39	54	51	8
WHEATLAND	47	10	8	9	11	1
WORLAND	*	3	4	5	5	1
STWATE	234	132	87	151	133	33
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